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DON QUIXOTE IN FINANCE



OR

HAS CANADA A MEDICI?



*A Tale of Treasons,
Stratagems and Spoils*

BY
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"As Others See Us."

*For Circulation amongst the Legislators
of Canada.*

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PREFACE

In the minds of all men the individual holds a duty to his fellows: in fact, the State holds obligations to the individual. And, undoubtedly, justice for the individual is in the self-interests of the many. Modern cant promulgates the philosophy that questions of State only lie in the general interest; when one man is wronged does not his neighbour ask: "May I not be next?" Should the doctrine obtain that the State holds no duty to the individual, whither shall we drift?—for the State is really the individual and his brother!

The pages that go into this pamphlet tell the story of one who—according to his lights—has tried to hew to line. The astounding lesson to be drawn from the tale is that, not only are the hearts of our real rulers, our money-barons, impregnable against the call of justice, but that the law, always precarious, is much more elusive than one bred to the spirit of British morality would be wont to believe.

By our processes in the courts, trained minds are necessary to one's guidance; indeed it has been said that the lawyer who takes his own case before a judge has a fool for a client. If then one is compelled to pursue justice, to place his fortunes and his very soul in the keeping of another, and if justice is the very basis of civilization, then may we fear for our institutions when we feel that one's counsel may be subjected to intimidation or one's solicitors forced into being party to shifty compromises, wherein their client is not considered.

I hold that the general unrest throughout the world is due to the realization that popular government has been tried and found wanting. This may be called Bolshevism, and if I am called a Bolshevik I would point out that I have no desire to wrongfully dispossess any man of his property, that I do not wish to kill anybody, that I have no ill-will towards His Majesty, our King. I am of complete United Empire Loyalist descent, and so strong is my affection for the British Throne that I believe in extending its powers rather than curtailing them.

To-day we have whole orders of rulers, all of whom must be satisfied at the cost of the public. Let us go to humbler fields for light. A Grand Trunk Railway conductor was once "had up" on "the carpet" for "knocking down" fares. He told his chiefs that he was guilty, but pleaded that now he had a house and everything he wanted in life and was inclined to remain honest for the remainder of his days, whereas, if he were dismissed and another put in his place, the new man would have to get all these things. So it is with our rulers: If one man were dictator and he were held in his position by the will of the people, then we would have only one to satisfy, whereas, to-day, we have scores of vampires and parasites, backed by the press and supported by interests, who must be fed and who are daily becoming more rapacious.

Many of my strongest impressions were gained during my stay in the Klondike. The generality of the men who essayed that wilderness in those days were virile in the extreme, yet each band of miners on the trail elected to its head a boss, who to all intents and purposes was king. The history of the Yukon bears this lesson: in the very early days, when the Mounted Police, under Captain Constantine, held despotic rule, title was given to an immense amount of the richest land, and not one word of scandal grew out of it; but when the politicians took the country over and "Democracy" held sway, official life became one grand carnival of wine, women and song.

Stock Exchange circles should be explored and laid open: the brokers should be made to display to the public the amounts lost through their offices—there is a constant stream of Canadian money flowing to New York Stock Exchange. Canadian Exchanges do not appeal to the speculator, because their committees are too tricky: the

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slogan of the Canadian Broker is that a sucker is born every day. This is a false doctrine.

In 1814, Sir Thomas Cochrane, "known as Lord Cochrane," and several others were tried on a charge of "spreading false news, thereby to raise the price of the public funds, and thence to enable the principal conspirators to enrich themselves and their meaner agents to be benefitted and rewarded for their respective parts which they had taken in the nefarious transaction."

By a most elaborate and picturesque conspiracy these men had, said the story that Bonaparte had been torn to pieces by Cossacks. They were sentenced each to a fine of one thousand pounds, twelve calendar months in goal and to stand for an hour in the pillory before the Royal Exchange. In sentencing Cochrane, His Lordship spoke of his great regret at finding one of his high rank and one who had been rewarded by His Majesty for distinguished service abroad, allied to a "banditti of depredators of the worst and foulest kind." This "banditti" of "depredators" would be considered clever business men in Canadian Stock-Exchange circles, and the crime of which Lord Cochrane was guilty our exchanges in 1914 closely paralleled and held themselves up as patriots for so doing.

In 1916, a Canadian financier was denounced in Parliament for stating falsely that his company was making 100 per cent. on a munition contract. No criminal proceedings were taken against him: is this progress?

When the young man, entering financial life, learns the rampant dishonesty of our financiers, and sees them exalted by the press, he feels that ideas of honour are a mistake and that, if Sir Camouflage This or Sir Camouflage That has made his money outside law and decency, he may do the same: no doubt but that the press would be equally as servile when he could afford to pay. And then he imbibes the doctrine that one must live—without work—and that one cannot remain honest and succeed.

It is time that our middle classes, those who comprise the decent element in our land and from whose ranks are recruited the self-sacrificing, should organize. They are between the mill-stones. They have been taught that their duty to themselves is to mind their own business and that patriotism is limited in its call to resistance of aggression from without and the maintainance of the status quo within. Our middle classes should realize, on the principle that charity begins at home, that it is the duty of a man to fight wrong wherever he sees it.

It is well to hold to constitutional methods and such, but, if our press and our Parliament are in the power of the money cult, how long will it be before they can be ousted, if the middle classes don't organize to obtain basic facts? Let us take the case of Sir Thomas White! There is no doubt but that this man entered Parliament for the particular purpose of serving—not his country—but his friends, of loading the Canadian Northern incubus on the broad shoulders of the Canadian People: that his name should be advanced as a candidate for the premiership is bluff—capitalistic effrontery.

To my mind the greatest enemy that a land may have is he who corrupts its government. Such a man is a traitor: he is a traitor to that greater thing called Civilization. When a people elect a government as a choice between two evils, there is the element of chance as to what the muddlers will do, and being of sporting instincts we are prepared to take what is given us; but when the muddlers are swayed by blackmail or bribes, or both, then should our virility be aroused.

Our education teaches us to seek a living without work and, as the ranks of the educated increase, the premium on brains is lost and is carried to those who labour with their hands. So the labouring man finds himself a power, and so he may talk freely and think. And he has made the discovery that money-getting ability is not an endowment of Heaven, but an inspiration of evil, that capital is sifty and that most capitalists are not wizards, but plain crooks.

If the money-cult blocks investigation into its ways, perverts the workings of our processes of law, in short, does everything it can—stopping at nothing—then it can hold sway and rule as it has been ruling.

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If the great middle class is wise it will turn the limelight on the ways of our money-lords; it will not be dissuaded by Sir Camouflage This or Sir Camouflage That being a savant of Art: it will remember that Modern Paris is largely the work of that scoundrel Napoleon, that the late Emperor of Germany had a genuine interest in archaeology, and that Rameses II., the Pharaoh who oppressed the Israelites, had such an appreciation of art that he scored the names of his predecessors from much of the Temple of Karnack, and substituted his own, a piece of effrontery that remained unrivalled until a Canadian Financier caused a practiced writer to compile a volume and stamped it with his own name as eye-witness to the war.

The capitalist has learned to commercialize public regard; he will put through a rascally deal, which he knows will be recognized by many, and then by a gift to a charity, seek to gain more than he has lost; so he runs a process of debit and credit. To the politician and the capitalist it is the plaudits of the mob that is the thing.

If a rising against our capitalistic government occurs, and we are drifting to it, and our people begin to kill, the trouble is that things will be carried to excess. My own idea is that the man who bribes a politician should be hanged, and, from what I feel I know of our capitalists, I could see some of them shot and feel no regret, but with passions turned loose an undue number of people would suffer.

There is no doubt but that the capitalist would rather see our country torn by civil strife than give in his practice of corrupting governments. He is like the Jew of whom a story is told. When the Islander struck among the Alaskan Islands and passengers were rushing to the boats, this Jew ran to his cabin for his gold. When he arrived on deck the boats had pushed from the ship's side; he jumped into the water, still holding to his gold—and sank.

As to the Stock Exchange! Our people should take warning by the attempt recently made to steal from the taxpayers of the City of Toronto some \$20,000,000 by inducing them to buy the Toronto Street Railway assets for \$40,000,000. The basis of this deal was to be the price at which Toronto Rails sold at in the market, and this price was undoubtedly fraudulent.

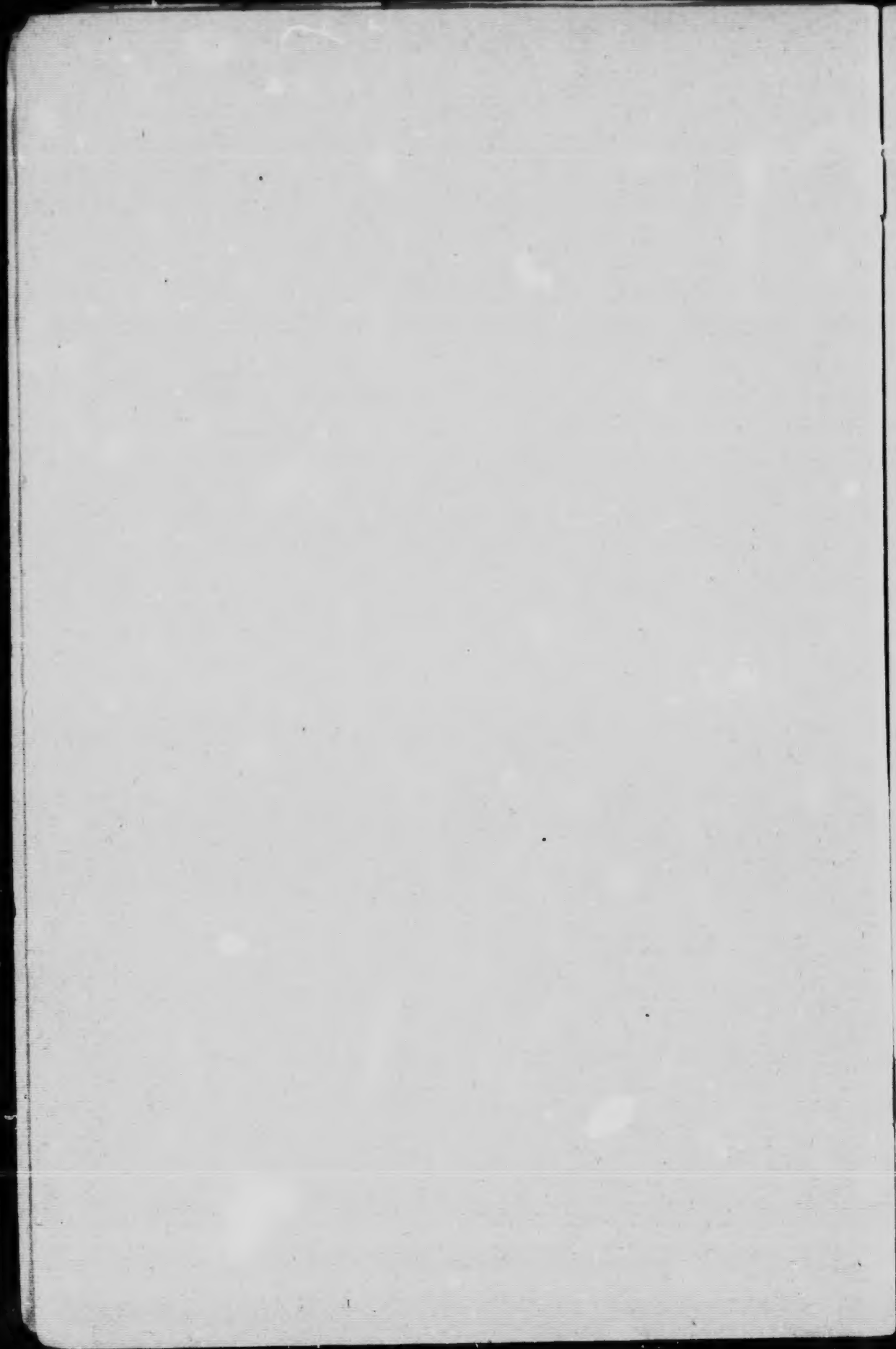
It has long been my opinion that more than one of our banks has been interested in the fortunes of Mackenzie and Mann. In the Street Railway purchase campaign five out of six of Toronto's papers were brought into line to betray their patrons, and it is unreasonable to believe that one bank could effect this.

The workings of our mining companies demand very thorough looking into.

These pages have been hurriedly put together, and they are not issued with any idea that they hold literary merit. Indeed, my story has been abridged, but, with the knowledge that this might have been made stronger, the reader may judge of all things.

Toronto,
March, 1920.

W. H. P. J.



Don Quixote in Finance

Book I. The Maelstrom.

HOW IT HAPPENED.

One evening, in the Autumn of the year 1909, I met the newly-appointed editor of a Toronto weekly journal, the "Saturday Night," leaving a theatre, and we exchanged greetings. He asked me concerning Crown Reserve Mining Stock, and I said that it was rotten. I asked him if he would care to have something on it, and he replied that he would. I then began to write, first over the name of "Cobalt," and later over the nom de plume "Shepherd," a series of articles that were to make me a marked man.

The "Saturday Night" was, at that time, an innocuous society paper of very good repute. Crown Reserve Mining Stock was at the height of its boom, selling around six dollars per share. Recently I had shorted in the market a thousand shares, by instinct. When I began to figure out my position I found it outstandingly good; thus I wrote in the columns of the "Saturday Night" for Nov. 13th, 1909:

"Crown Reserve may be summed up as follows: About \$1,000,000 in liquid assets, or about 50 cents per share on the \$2,000,000 issued capitalization. Take 50 cents from its present price (\$5.50) and you have \$5 per share, or \$10,000,000 in clear profits to be dug out of the ground. As ten per cent. goes to the Government (Crown Reserve paid the Government a royalty of ten per cent.), that adds another million-odd necessary.

"But the ordinary individual is not satisfied to tie up his money for five years for nothing; he wants a profit. Suppose we add \$5,000,000 for profit, that makes \$16,000,000. Now, something for getting out the ore, say \$4,000,000, or \$20,000,000, which is approximately the amount of ore which must be taken from the mine in the next four years to justify the present price, that is unless it has an extraordinary life."

How sound this reasoning was many a tenacious holder of the stock has since had reason to judge; when the dividend was finally cut, the morning after the President of the company was greeted at his office by a long queue, seeking to learn what had become of their fortunes; but this is much in anticipation of my story.

On Nov. 19th, I wrote as follows:

"The most (ore-in-sight) the Crown Reserve people claim is \$7,000,000, which is one-third of what is required. Consequently Crown Reserve is worth only one-third of what it is selling at, accepting the insiders' statement of reserves."

DIPPING FURTHER.

So much did the soundness of my argument impress me that I took a trip to Montreal to investigate the story that the insiders were acquiring the shares,

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a fable scattered abroad to aid the market. At the transfer agents' I was refused access to the books, so I went to the Secretary's office. Here I was given no information along the lines I was investigating, but I was shown a piece of ore from the 200-foot level of the mine. This consisted of a piece of smaltite (cobalt ore) through which ran a seam of massive silver. To anyone unfamiliar with Cobalt Camp and mining generally, this ore would have told a tale of enormous riches, but to any who knew it conveyed the information that it had been mined at a point close upon the contact between the Huronian and the Keewatin rocks, and that the bottom of the mine, if precedent counted for anything, had been reached. It will be remembered by mining men that early in Cobalt's history Dr. W. G. Miller, Provincial Mineralogist for Ontario, set forth the theory that when the veins in Cobalt Camp ran through the Huronian, in which they chiefly occurred, into the underlying Keewatin, they would lose their values. The ore taking on the character I have mentioned indicated that this point of transition had been reached.

Had I been imbued with the cunning that is generally the complement of a villainous nature, I would have affected glad surprise at the richness of the sample and the prospects of the mine generally. But I frankly told the Secretary my opinion of the mine, with the result that when, in Toronto on the following morning, I wished to short several thousand more shares, I had trouble in getting rid of them, the market falling like a punctured balloon.

The insiders were very angry at their loss of market, or at me, and it took them some time to regain their nerve. Some person in their interest had recourse to the well-worn method of creating a man of straw and indignant denials of the story that the mine had been flooded were printed in the press. Had anyone circulated such a story he would have been guilty of an indictable offence and liable to seven years in gaol, for such is the law. In the meantime, the astute in the market divined that I was the writer in the "Saturday Night," and that I was short of the market. This was not particularly clever of them, as I made no effort to hide my identity.

HOW IT IS DONE.

For the reader to follow this narrative it is necessary that something should be said about the process of shorting the market, or "selling a bear," as it is termed in England. There are two ways of going short of the market; one is by selling for future delivery, the other is by borrowing stock and selling it for cash. The ordinary man is ready to comprehend the first method, that of selling stock delivery in sixty days in the hope of purchasing it in the interim at advantage, but that of borrowing for delivery is beyond him; he does not comprehend it, and he is ready to believe it to be dishonest, as there are many who would have him do.

Let us illustrate the process in a humble walk of life: Jones and Smith are two brick-makers, both producing their wares. But Jones is selling his bricks as fast as he is turning them out, and Smith is hoarding his for higher prices. Jones has more orders than he can fill, and if he can secure temporary possession of some bricks he feels that he can replace them at a future date, at advantage. So he goes to Smith and borrows what he desires, and sells them for cash. And he gives Smith the amount realized as security for the return of the bricks. Obviously, if his reckoning is good, he makes money; if at fault, he loses.

To any one with the most rudimentary knowledge of finance it will be apparent that the possession of the money by Smith is of advantage to him, so as a matter of equity he should allow interest on it. When such a transaction occurs between traders in the stock market this is generally done.

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But stocks bear interest—carry dividends—and when a trader lends his stock it passes out of his name and he loses this money: the obvious thing is for the borrower to pay the dividends, which he does.

This is all perfectly simple, quite legal and clearly not immoral; any number of enquiries have been made into the process, and all tribunals have endorsed it, and some have said that it is a clear protection to the public, in that it has a tendency to mitigate against inflation.

WHAT ABOUT IT?

Some people have said that it was dishonest in me that I disparaged stocks in whose fall I was interested. To this I will say that I wrote in favour of stocks I held—such as Hollinger, when it first appeared on the market at \$3.50. One may write after two manners: one may deal in facts or one may advance arguments. If I wrote falsely about stocks, with intent to mislead, I was guilty of an indictable offence, a public mischief and a remedy lay in a warrant. If one advances false arguments they generally show their character.

But suppose I had been wrong in my argument that Crown Reserve was worth only two dollars, and not six as it once reached on the market, and suppose I had been the cause of its selling below its value, the harm I did the seller would be no greater than the benefit I did the purchaser; if one could, by his writings, cause eggs to sell at ten cents the dozen, there would be few others than the producers of eggs to call him an enemy of mankind—though he well might be. Again, in the particular case of Crown Reserve: there were many who had purchased their holding in this issue as low as ten cents per share—if I spoiled the market for such it was a case of money they did not make. But when I dissuaded from buying at high prices those who otherwise would have done so, I saved them from losing money garnered in hard fields.

People who posed as the possessors of altruistic minds were loud in their condemnation of my position and my writings and, it must be confessed, they had much in tradition to support them. By the custom of the ages the market is the privilege of the seller: if one sees a dealer making a sale of a spavined horse to a tenderfoot for \$100 and one steps in and spoils the deal, pointing out that the horse is worth only \$75, the benefit one does the buyer is equal to the harm one does the seller, obviously. But in such a case one finds that, while the tenderfoot will give scant thanks, the dealer will hold spite to eternity and, more remarkable than all else, the public will afford one scant recognition.

RIGGING THE MARKET.

And now it is well for us to pass on to the greatest question of ethics that springs from the stock market—manipulation. How does a stock sell for six dollars when it is worth only two? This is enigma to the ordinary man. The answer is: manipulation. There is not, I believe, a great financier in the land who has not practiced, inspired, been party to or benefitted by it. It has been estimated that it makes up nine-tenths of the business on the exchanges, and so, if we satisfy ourselves as to the morals of it, we satisfy ourselves as to the morals of the exchanges. It goes by different names: in books of English Law it is called "Rigging the Market," and in this country the processes that go into it are known as "washing sales," "matching orders" or "making a market." The difference between these first two processes is drawn in that "washing sales" is simply marking sales on the board without a transfer of stock, and "matching orders" is buying with one hand and selling with the other. In America, "making a market" means rigging the market. In England the term indicates that a man offers to buy at one price and sell at another, quite a legitimate process. While many brokers admit that washing sales is bad, the majority of them believe that matching orders is quite legitimate.

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As a matter of fact it is an abominable fraud. Judicial pronouncement on the process has been rendered in the findings of the Court of Appeal in the case of *Scott v. Brown*, 2nd. Queens Bench, 1892, page 724. Here Lord Lindley says:

"I am quite aware that what the plaintiff has done is very commonly done; it is done every day. But this is immaterial. Picking pockets and various forms of cheating are common enough, and are nevertheless illegal." Lord Lopes says: "Is such a transaction illegal? I am of opinion that it is and might be made the subject of an indictment for conspiracy." Justice Wright says: "I can say that if persons, for their own purposes of speculation, create an artificial appearance in the market by transactions that are not real, but are made at a nominal premium merely for the purpose of inducing the public to buy, they are guilty of as gross a fraud as ever has been committed, and of a fraud that can be brought home to them in the criminal courts."

The report of the Pujo Commission that, a few years back, inquired into the workings of the New York Stock Exchange, mentions the case of the Hocking Coal deal, by which the market for the shares was, by manipulation, advanced from \$24 to \$90, and it afterwards fell to \$2. One who was induced to buy at \$90 by such criminal processes, that which was worth only \$2, was despoiled as criminally as if he had had his pockets picked, yet there are those who say that the business of the Stock Exchange cannot be carried on without it; as regards some people's business, the statement is no doubt correct—but is it necessary that they should carry on the business?

BUCKING UP.

The Crown Reserve shareholders recovered from their panic; it is interesting to note how tenacious they were in the face of what, to-day, appears the soundest philosophy. On February 5th, 1910, I wrote:

"The Crown Reserve directors met and the shareholders were assured that dividends at the rate of 60% per annum would be paid during the year. So far as the newspaper accounts of the meeting went there is no statement of the ore reserves. A mine's reserves are its sinking fund, yet the stockholders are assured of only sixty cents against a stock value of \$4 in the market. . . . Crown Reserve is particularly a one-vein mine, the Carson vein passes from the Silver Leaf and enters the Kerr Lake, distance 250 feet. 200 x 250 is the block of ore called upon to guarantee a value of \$8,000,000. This block of ore has already produced \$2,000,000 at a loss of over 25%; in fact, probably over 50% of its value. . . . The situation is that the directorate of the Crown Reserve is hoping beyond hope that it will find other assets in the property. Two Carson veins on one 23 acres of land are too much to expect."

While this did not jar loose from holders their stock, it must have given the possible purchaser pause, and I was hated the more; but it was clean argument and would have been passed as such by any engineer. It was not until 1914 that the final crash came, and the widows and the orphans foregathered at the office of the company to learn where lay their fortunes. But not one word of commendation did I ever receive for my efforts in behalf of the unwary.

AT THE WINDMILL.

Many of my acquaintances in the financial district now began to look askance at me; I was spoiling the game: the gullibility of the public was their chief asset. The members of the Stock Exchange learned to hate me with an increasing hate. But it was not until I took a tilt at Cobalt Lake that general opprobrium became virulent. I was viewed as one who had peached on his pals, but it was overlooked that I had never been a pal, that I had never had a hand in a stock promotion. That one might have a prejudice to that sort

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of thing was enigma to them; all peoples believe their callings to be respectable. This extends to pick-pockets and crackamen.

The history of Cobalt Lake is, in many ways, an object lesson; it speaks of outstanding financial daring on the one hand, and the wide borders of credulity on the other.

WATER.

When it was announced that the mining rights under Cobalt Lake were to be sold by the Government, great interest was manifested all over Ontario, particularly in the Ottawa Valley. Syndicates were formed without number: I subscribed to one at \$1,000 per share. The promoters of the different syndicates met in Toronto, where, instead of bidding separately, their subscriptions were merged and thrown at Queen's Park, the hand of Sir Henry Pellatt being chosen for the work. This was late in 1906. One million and eighty-five thousand dollars was paid for a property that it would have been difficult at the time to find an engineer who would have recommended it at the \$85,000, without the million. For myself, I may say that I looked with apprehension on the deal and, consistent with such attitude, I sold my share at the first opportunity. Not so others. There came a veritable boom in the shares, and a company was formed. In this company, if I remember rightly, three hundred thousand shares were allocated to Sir Henry Pellatt as commission for his having acted in the purchase, and he was made President.

It is very hard to understand how so large a sum as \$1,085,000 came to be paid for the mining rights under Cobalt Lake for, the syndicate being merged, competition was largely eliminated and, certainly, no individual would put any large sum into such a wild gamble. Mr. George E. Drummond, of Montreal, told me that his bid was \$32,000. Had \$100,000 been bid for the property it would have, no doubt, been effective. It would have been well had this been done and the balance of the subscriptions returned to the subscribers to the several syndicates, sufficient money being retained to furnish a reasonable working capital. The files of the Department will, no doubt, contain a record of the other bids for the property, and can furnish evidence of what real miners thought of it.

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The company was capitalized at \$5,000,000, and the dollar shares were issued at 85 cents; that is, the public was invited to enter the project on the basis of around \$4,000,000 for the property.

Such an issue was, of course, foredoomed to failure, and the shares rapidly sank on the market until they reached below ten cents a share, while the mine went into the serious struggle for existence: in other words, to produce payable ore before its treasury of \$185,000 was exhausted. I have been told that it once was in debt to the extent of \$40,000.

After a most precarious existence over some years it struck ore of a body found for it by the McKinley-Darragh, at the south end of the lake. Close upon this, and before the news became generally known, followed the most astounding adventure ever essayed in Canadian finance, and here is where I again caused myself to earn the resentment of the financial interests.

A DOUBLE SHUFFLE.

The Cobalt Lake Mining Company applied to the Provincial Legislature for powers to buy in its stock with its own treasury, a process, in the ordinary course of events, that is a criminal act. Nobody but a complete fool would have failed to look upon this proposal with suspicion, and it was opposed in committee by W. D. Macpherson and W. F. Nickle. Notwithstanding the

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opposition of these, with others, the bill became law. I did hear that the lawyer who lobbied it through, when asked whether he thought such legislation possible, said that he could get anything through the Ontario Legislature; he evidently did not make a vain boast.

Not only was the enterprise worthy of the most acute suspicion, but it was obviously unfair to the bears in the market, and on such grounds alone it should have been severely discountenanced by the exchanges; a bear has no chance when confronted by such legislation. Of the news I wrote:

"The startling announcement has been made public that Sir Henry Pellatt, President of the Cobalt Lake Mining Company, intends to ask the shareholders for authority to purchase 1,500,000 of Cobalt Lake stock with a view to lessening the capital. As the Cobalt Lake Mine has spent about \$150,000 more than it has earned in the last three years the question naturally arises, where is the money to come from?"

"The possibilities of Cobalt Lake as a mining venture seems to have appealed to the people of Ottawa more strongly than to others and, when outsiders saw that the price paid made the proposition hopeless they sought a market in Ottawa. Civil servants and Government grafters, and even those who wished they had a graft, raided their savings accounts, they mortgaged their homes and their life insurance to buy stock in the most impossible wild-cat born of Cobalt. As a mining proposition it was hardly second to Frank Law's 'Silver Bird' in impossibility. Law never left several hundreds of thousands of dollars in Silver Bird's treasury."

"It would seem that if the Cobalt Lake shareholders desired only to lessen their capitalization they would do so with a new issue of stock; as the capitalization is \$5,000,000 they might cut it in half by giving one new share for every two held, or they might give two for three or even one for five."

"When the writer speaks with assurance on the impossibility of Cobalt Lake he bases his judgment on the limitations the deposits seem to have as regards depth and the presence of the lake above its area. . . ."

I may say that when the Government sold Cobalt Lake, a condition of the sale was that the water was not to be drained; the subsequent setting aside of this stipulation doubtless rendered possible the measure of half success the mine has attained over the last few years. I was justified in considering the lake an incubus.

The quotation I have made from my writings in "Saturday Night" might have been worded more carefully; it was not good journalese, but it is hard to find in it justification for the paroxysm of hate it engendered in the Stock Exchange. Perhaps it was the comparison of Cobalt Lake with Silver Bird that hurt: the promoter of Silver Bird received five years in goal for fraud.

Cobalt Lake's President wrote an angry letter of protest to the "Saturday Night." This communication, after being censored, was published. The lines deleted claimed that I was short of the market, which was to explain all things. The communication, as it appears in the files of "Saturday Night," is a long one. I shall give the most potent points:

"It is the intention of the Company to reduce its capital stock—that is a matter for the directors of the company and the shareholders to decide upon. It is also a fair matter of comment whether such a step is for the benefit of the company, or otherwise."

The application of the last sentence in the above quotation is not quite clear, at least to me.

Again:

"If he knows anything he knows that it is no crime to leave stock in the treasury, yet he imputes wrong-doing."

This last well illustrates how far asunder divergent views may carry people; my mind was that of a miner—that of Sir Henry Pellatt that of a stock broker and promoter. The only inference I wished to convey was that had Law left \$150,000 in the treasury of Silver Bird, the expenditure of the

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money might have made a mine out of the property to equal Cobalt Lake. And who can say that the suggestion was not pertinent? Again: I have no doubt but that Sir Henry Pellatt regards stock market manipulation quite worthy and a quite legitimate enterprise, and that those who oppose it are, at best, cranks who would clog the wheels of progress or, at the worst, crooks who would seek profit in the decline. I regard stock market manipulation as one of the crying evils of the day, one of the processes by which are amassed those great fortunes which make possible the display that breeds the syndicalist—besides, it is a crime.

THE WILD-CAT.

Perhaps it was that Sir Henry Pellatt was distressed at Cobalt Lake being called a wild-cat, and it would be well to learn what a wild-cat is. In this connection I cannot do better than quote from the after-dinner speech of an old Klondike friend:

"I have been asked by the president to propose the toast of mines and mining. Now, I should know something about mines, having been to that town called Rossland, where, as you know, there are many mines. There are two kinds of mines, gentlemen, if you follow me; there is the mine and there is what is known as the wild-cat mine. The wild-cat mine is particularly distinguished by a total absence of metalliferous ores, and this, gentlemen, is what makes the animal so very wild."

The above, quoted in a very affected voice, is generally calculated to bring a laugh; it also carries about the best definition of a wild-cat mine. And Cobalt Lake qualified its requirements completely; at its inception it suffered from a total lack of ore, and how anyone could stand on its shores and visualize the extraction from beneath its water of the fifteen or twenty million dollars necessary to justify its capitalization, I don't know; I cannot believe that any one could. What is certain is that it never has, and its history has all but been written.

THE HEART OF THE SPECULATOR.

My opinion is that the majority of those who buy boom stocks are themselves thoroughly immoral; they are indifferent as to the value of what they buy so long as they can see themselves unloading it on someone else at a higher price. Such people deserve no sympathy, and did the wild-cat promoter prey only upon them one could look upon him with less disfavour. In the Autumn of 1917, while in London on my way from France, I was talking to a London broker, and he complained bitterly at the action of the Stock Exchange in throwing "Chaffers" off the board and refusing it further settlements. A friend of his had loaded up with the stock and he could not find a market for it.

"But," objected I, "he has the stock, has he not?"

"Yes, but what good is the stock, he can't sell it." The man's mind did not travel far enough to realize that the stock his friend would sell at a profit must eventually come to rest in the hands of somebody.

They do such things in London; when manipulation becomes too flagrant they stop dealing in the issue. No action to correspond has ever been taken in regard to a stock in Canada, and some of our issues have been grossly manipulated.

On the other hand, a great many innocent people are robbed through the false pretence that goes with stock-market rigging. Many a woman who has earned her dollars over a washtub or at the churning, has put her money into an issue because she has deemed a market quotation an index of value. Why should any institution be tolerated whose members abide such practices, even if

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they can prove that, in theory, their trade is honest, and that in practice it is fully ten per cent. honest. If one is put upon by a man of greater strength and is robbed, all civilization rushes to his rescue; if one is defrauded by one of greater strength—or dexterity of mind—he has but poor recourse. It is futile to say that the law makes little difference between fraud and robbery: *caveat emptor*—let the buyer beware—is the slogan to-day, in commercial circles.

THE MEDDLER'S REWARD.

As I have said, the attack I made on Cobalt Lake made me many enemies among the financial crowd, and I soon began to feel how wide are the ramifications into which penetrate the moneyed interests, and how much one takes his commercial and his social life in his hands when he crosses them. My experience may be of value to those who have the guidance of youth and may, in some minds, call to question the policy of hewing to line and letting the chips drop where they may.

I was asked by a member to join the Arts and Letters Club, one of the best of Toronto's social organizations. My book, "The Letters of a Remittance Man to His Mother," was not then forgotten; it had been one of the two successful books published by Canadians in the year 1908. My name was put up; nothing came of it.

I am hardly eligible for membership in the Arts and Letters Club, for I do not make my living by my writings; very properly the club has demanded as chiefest qualification to membership that the candidate finds his living in the craft of which he is an exponent. But several years later, at a friend's house, I met an artist who had been a member of the committee when my name came up.

"Oh," said he, "your name's Jarvis! Are you the chap who wrote the 'Letters of a Remittance Man?'"

I replied that I was.

"Your name came up before our board and you were objected to on the grounds of something you had written in 'Saturday Night.'"

I had been invited to join this club; I had never sought the distinction, and yet I was rejected. A blacker smirch could hardly be put upon one's character. There is no question as to the reason why I had been turned down: it was because of what I had written in "Saturday Night." What had I written? It is all available in the files of the paper.

A club is perfectly within its rights in refusing membership to any man, and give no reason; but when a reason is given, those to whom it is advanced should be perfectly sure that it is sound. A club should not allow itself to be made an instrument for the wreaking of vengeance of any man or body of men who are unwilling or unable to seek redress in an action for libel. I may find a panacea to my injured feelings in the realization that it is now widely understood that, to debar a man from a club he would enter is, in Canada, a common process of satisfying personal spite. As instruments of blackmail, our clubs will cease to be operative when this fact becomes generally understood.

Again there is a sequel. Some years afterwards, while in London, I was invited by a friend to the Savage Club, one of the most, if not the most, distinguished clubs in the world. It has in affiliation with it the Arts and Letters Club of Toronto, an expression of the Imperial unity idea.

"Why," inquired my friend, "do you not join the Arts and Letters Club of Toronto, and then you could come here as a matter of course when in London?"

Imagine my feelings!

But this well illustrates how far-flung are our social frontiers, and the dreadful responsibility one takes in giving ear to scandal. I am quite sure that no mining engineer of repute would find in my writings in "Saturday

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Night" anything but fair mining criticism, some of which, in the light of to-day appears to have carried the soundest philosophy.

My experience gives token to the tendency there is among many whose diurnal habitat lies in the vicinity of the corner of King and Yonge Streets, Toronto, to take their opinions ready-made. A word is passed and it becomes law, and most words that go into circulation in the precincts I mention have their origin in a common source, the money cult. The Arts and Letters Club had one member whose opinion on my writings would be of value, but his word was not invoked. The mind of the average artist or writer—and I do not make an exception in the case of the financial editors to our newspapers—is as little qualified to judge of mining matters as mine is to pass on the comparative merits of Constable and Turner. However, as I have intimated, the committee of the club was willing to take its opinions ready-made.

THE "SLOUGH OF DESPOND."

The subsequent history of Cobalt Lake as an individual mine was lost as it became merged into the Canadian Mining Corporation. First, a Cobalt Lake flotation was launched in London: those who held the old stock were given one new share for ten. In England the market underwent the most palpable rigging, and there the new shares were lifted above twelve dollars; I know, because I sold the English shares, and did well by doing so. An apparent anomaly lies in the fact that while ten Canadian shares went into one English share, the English shares sold in London at twenty times the value of the Canadian shares. This is explained in that to get new shares the stockholder had to agree to pool* his stock for three years. The next shuffle was the Canadian Mining Corporation, which, to date, has not been re-shuffled.

WHAT THE CRAFT SAYS.

As the question may stick in the mind as to the real reason why the original company sought powers to buy in its own stock, and as Col. Sir Henry Pollatt did not think it necessary to explain further than that it was his desire, it may be of interest to learn what a mining engineer told me not many months ago. We were discussing Cobalt Mines and the old days, and Cobalt Lake came into our gossip.

"What was the real reason for the buying in of its shares by Cobalt Lake?" I asked.

"I don't know," was the reply, "but I have heard that when the stock dropped to around thirteen cents per share, after the necessary legislation was secured, the insiders loaded up with it and later sold it out to the company when the price mounted to around thirty cents per share."

I don't suggest that this tale has foundation in fact, but I tell the story for what it is worth, and as a suggestion to our legislators of the danger that lies in giving bizarre legislation at the call of promoters. It should be possible to trace the buyers of Cobalt Lake stock when it fell immediately following the passing of the purchasing legislation, and to whom the shares went, that is if a judicial enquiry is ever held over the Stock Exchange and the doings of our brokers.

The next time I fell foul of important Stock Exchange interests was when a corner was rigged in Trethewey stock and, as it had for a sequel similar to that which was my reward for my criticisms on Cobalt Lake, it is well that it goes into this narrative.

TRETHEWEY ENCORE.

In 1907 or 1908 the second Trethewey deal took place: the control of the stock was purchased by a group of financiers identified with one of our leading

* Refrain from selling.

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Stock Exchange firms, the chief of which is a bank president and a director of a great railway, etc., etc. The identity of these people was carefully camouflaged from the public at large by guinea-pig directors. Some say—and there is some ground, I believe, for the assertion—that the enterprise was undertaken during a drunken frolic. In any case, the control of the mine was, I believe, bought without technical advice, so that the capabilities of the market were evidently solely held in view.

In due course manipulative processes were undertaken, and Trethewey stock was advanced on the exchanges: from seventy-five cents it advanced to \$1.60.

To suggest how deceptive is market-rigging, I will recount that one of my brokers visited me in the Toronto General Hospital, where I was convalescing from a serious operation, and strongly advised me to buy Trethewey. "But," said I, "the stock is not worth it; there are no reserves to justify the price."

The broker was persistent:

"I know," said he, "by the people who are buying it on the Exchange that it must be good."

This suggested that a discovery had been made and not divulged.

After much argument I gave a reluctant consent and became the possessor of several thousand shares. Fortunately, my better judgment asserted itself and I got rid of the stuff and cut my loss to around three hundred dollars.

When the gang found that the public was not coming in, it withdrew its support, and the stock fell on the market, without their being able to dispose of their holdings.

BY A HIDDEN WAY.

Some years later, in 1912, some of the larger holders of the stock, evidently the pool, gave an option to one of the most notorious riggers in Toronto, covering a quantity of the stock: in any case he became interested in it, and it is unreasonable to suppose that he bought for any legitimate purpose. As this narrative is intended to be instructive, it is well that this process of giving options should be explained and an opportunity be given to form an estimate of its ethics. When legitimate and semi-legitimate methods have failed, and specially discreditable methods are to be employed, an option of purchase covering a number of shares is given to some adept at market rigging—who has no reputation to lose—and he is left to do the rest. This is what happened. Trethewey stock was again advanced until it appeared an attractive short sale. Many sold bears, and then the prices were marked up and many of the loans called, at least loans of stock were refused, so the stock was cornered. Of course, were one to ask the brokers, they would say that they did not possess the stock, or that they had scruples against lending it, the latter a most specious excuse: the thing was that they were more or less in conspiracy.

As the screws were being put on and the shorts forced to pay extortionate prices for the stock, there appeared in one of the Toronto papers an advertisement asking to borrow fifty thousand shares of Trethewey stock. Of course, this told all the discerning that a corner existed. The stock immediately became scarce and fell in the market. The only reason for this is that the publicity placed the machinations of the original gang too much in the limelight. The authorship of the advertisement was credited to me.

THE ADDER.

Some years afterwards I went up for election to the Albany Club, and I failed. My application was signed by D. S. Cassels and W. D. Macpherson. Mr. Cassels told me that the reason of my non-success was that I was suspected of placing the advertisement mentioned in the press. What story the gang told Mr. Macpherson I do not know; he failed to recognize me when next he met me on the street, so, evidently it was pretty bad, and he believed it.

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Viewing this advertisement in its worst light,—besides assuming that I had been the author of it—that it was really a fake and that the advertiser had no desire to borrow the stock, what harm was there in it? All it did was to intimate to all and sundry that a criminal conspiracy existed in the stock and to warn the unwary against buying it. The whole circumstance suggests that our stock-jobbers take themselves too seriously—besides suffering from a woeful lack of humour. It will also suggest to our moral reformers—and to our rag-tag and bob-tail—that the life of one who jibes our financiers is not made easy. A club is very necessary to the business man. If one would succeed in Toronto's business world one must lick the right boots, and lick them assiduously.

NO LAUGHING MATTER.

All this is very serious and calls for the deepest consideration by every honest man who has the future of civilization at heart. England is not England because of its gentle topography—there are lands as fair; nor because of its climate, there are better climates; nor because of its hedge-rows and its lanes. England is England because of the sense of equity engendered in its people. By the ethics of our race, right should be maintained; as a matter of fact we are degenerating into a race of Jesuits in all but the ritual of our religious services. It is a fact that one finds hard to reconcile with reason that men who will cheerfully face the enemy's bullet in battlefields lack stamina to run foul of our money-lords at home. Lying, cheating and false pretence are practiced daily in our financial world, yet few there are who will raise their voices in protest. In our banks and financial institutions honest men stick half-way on the ladder of progress.

MR. BRUIN.

There is no doubt but that the ordinary stock market follower regards the bear trader as a sort of jackal, against whom any means is permissible. But let us consider some expert evidence. Henry G. S. Noble, a member of the New York Stock Exchange, giving evidence before the "Committee on Banking and Currency, Sixty-third Congress," had this to say:

"The effect of the short seller in the market is that, as the market rises, he sells and restrains the rise, and having sold it is necessary for him to buy to fill his contract; and if the market declines, he buys to cover his contract and restrains the decline. Therefore, he acts as a balance wheel on the market. He prevents it from running to extremes. He keeps fluctuations within much more reasonable bounds than they would be if they were removed."

"It has been erroneously supposed by some people that the effect of short selling is to depress prices. This is not the case for the reason that the minute a man enters into a contract to sell something which he has sold short, he has got to be a buyer, and he is the best kind of a buyer you can possibly have in the market, for the ordinary buyer—that is, the investment buyer or the speculative buyer—is a free agent. He can withdraw his order to purchase. He can change his mind. He is not bound to buy. His support may disappear from the market at any time. But the man who has sold short is a compulsory buyer. Having made this contract to deliver he has got to buy, and if a large number of dealers have sold short at more or less the same time, their competition to buy creates a support to the market, so that it is well known, in the parlance of Wall Street, that a security is considered in a particularly strong position if there is a large short interest in it, for they know that those buyers are all in it and that they have got to cover their commitments."

On this subject of short selling, which at all times, in stock market circles, is so much a matter of controversy, I feel it well to give further evidence in support of it. My observation is that market riggers often, when their own chickens come home to roost, when the lambs are fleeced, seek to lay the blame

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on the bear trader. The Hughes Commission (New York State), in reference to short selling, said:

"We have been strongly urged to advise the prohibition or limitation of short selling, not only on the theory that it is wrong to sell what one does not possess, but that such sales reduce the market price of the securities involved. We do not think that it is wrong to sell that which one does not possess but expects to get later. Contracts to sell and deliver in the future property which one does not possess at the time of the contract are common in all kinds of business. . . . No other means of restricting unwarranted marking up and down of prices has been suggested to us."

My own idea is that nine-tenths of the rottenness on the exchanges in this country is the work of the bulls, and that the bear really enters the list in behalf of the poor man against the promoter.

"CLUBS" OR "BLUDGEONS."

From the evidence of Mr. Noble and the findings of the Hughes Commission, it would appear that there is no breach of morals in selling a bear. The members of the Albany Club have the right to object to incorporate anyone, even for no greater reason than that the colour of the neckties he habitually wears does not please the members, or that he has a habit of spitting tobacco juice on the boots of all with whom he comes in contact. But one may wonder if the general membership would care to have the patronage of their society used to wreak the personal spite of a cult of stock-jobbers.

THE BEAR TRAP.

The next experience I had which will carry instruction was being caught in a "bear trap."

J. Thomas Reinhardt was a crook who eventually came to grief in the Marconi boom down in New York—if I remember rightly, he fled between days. But he first became known to Toronto stock market circles through Porcupine Central and other issues, to which the name of our great gold camp was affixed. Porcupine Central was a bait by which he caught me—besides many others who have a tendency to sell bears in the market.

Reinhardt kept passing his Porcupine Central through the exchanges for some time, at around ninety cents per share. One day he gave it a sudden rise: when it got to \$1.20 I sold 2,000 shares. When it reached \$1.25 I sold through 2,000 more shares. In a day or two the stock was selling at \$1.50, and I knew that I was caught, that no real stock was on the market, and that Reinhardt had been selling with one hand and buying with another. With the broker who had made the sales for me I called at Reinhardt's office, for the purpose of getting a settlement. I offered \$1,500. But the glib young gentleman in charge told me that there was no corner, that he would lend me all the stock that I required. This did not impress me, and I said so, and I said further that if he would not take the settlement I offered he could fight. We fought. Reinhardt bought in the stock and entered suit for \$8,000.

But the case never came to court—it was finally settled by each party paying his own costs, and mine came to just \$200. But others, members of the different exchanges, were mulched in heavy amounts, for stock exchanges will not allow members to default in delivery, no matter how palpable the fraud. The stock was not worth a cent a share. Its top price was about eight dollars per share. The bear trap is the most vicious of manipulative processes, and is the real "rig." Needless to say, it is a crime.

HOW LONDON PROTECTS.

In London, on the exchange, statements showing that the public is in possession of a certain proportion of the capitalization of a company are necessary

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before the shares are granted a settlement. The same is true as regards New York, but in Canada the exploitation of the "rig" is looked upon as the highest grade of art. The Hughes Commission recommended that the committees of stock exchanges exercise the power of declaring when a corner existed in a stock, "so as to relieve innocent persons from the injury or ruin that may result therefrom. The mere existence of such a rule would tend to prevent corners."

WHAT IS A STOCK BROKER?

The moral sense of all stock exchanges and the vast majority of stock brokers is of a very low order and, needless to say, they do not wish to introduce any new rule that will hurt business. Probably 25% of the manipulation that constitutes 90% of the business of the exchanges is directed towards the creation of corners. On the question of the ethics of the stock broker we will consider the following from the record of the evidence given before the U. S. Senate Committee, previously referred to:

"This same gentleman said that the most heinous offence that could be committed on the stock exchange was the splitting of commissions, and the record of the punishments shows that it is the most heinous offence.

"Senator Nelson: In what way?

"Mr. Undermyer: If he allows his customer part of his commission. The uniform rate of commission is 12½ cents a share.

"Senator Hitchcock: Would he be a scab?

"Mr. Undermyer: He is no longer scabbing, because he is expelled and put on the outside.

"Senator Hitchcock: He breaks the union rule?

"Mr. Undermyer: He is put out. He is expelled; he loses his right to do business and to a livelihood. The records of the exchange that have been put in evidence show the discipline that has been inflicted on the members, and that, while brokers who split commissions or who hired high-salaried clerks to aid them in getting business and who were held thus to have tried to evade the commission rule, are suspended for long terms, three or four or five years; a broker who was convicted of obvious fraud was suspended for 30 or 60 days. Sixty days, I think, was the term."

And this was in the New York Stock Exchange, which is supposed to be an inspiration to the Canadian exchanges! No case has ever come to my notice wherein a Canadian broker was penalized by his committee for fraud: I do not believe that one has ever so suffered. The Canadian stock exchange broker seems to look upon the traffic in which he is engaged as a game in which "wit is matched to wit, and subtle villainy is played against its fellow," and that those who are robbed and complain at their lot have merely been "corned" and show themselves poor losers and poor sports. I know one who dealt in the exchanges and did not contemplate fraud or following those who perpetrated fraud, and that is myself. I am perfectly willing to answer for every deal I made, to have all my brokers' accounts looked into and co-ordinated, and to answer for all that I have written on mining and our mines. I challenge the Toronto Stock Exchange, and its members, to make any such offer, and mean it.

The attitude of the Canadian broker is hard to realize, and harder to define: he seems to view his business as a necessary evil, an under-life in the financial world that is a support to the well-being and progress of our land, but, by no means must its inwardness be explained. While books on English law are full of cases growing out of the stock exchange, and there are a great many semi-technical books on the subject, it is a remarkable fact that little is written save as apologia, for popular consumption. The curricula of our colleges carry nothing on it and, in Canada, our law courses do not seem to embrace stock exchange law. All this is very hard to understand, and it is hard to believe that such absence of instruction is by oversight. Those who deal in speciosities may say that it were well to hide such knowledge from youth, but my idea is

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that the more one knows of the depravity and falsity perpetrated through our exchanges, the less one would be inclined to go into them or trust his substance with the ordinary stockbroker. My idea of Toronto brokers, as a whole, is that 25% of them are pilfering thieves, 25% of them are outside the law, and the remainder are more or less shifty and quite willing to be made the tool of the market rigger and the manipulator, concerning themselves only that they be paid for their services. This attitude is set out by evidence given before the Pujo Commission. The Mr. Untermeyer, who interrogates, was counsel for the commission, and the examinee was Mr. Frank P. Sturgis, "who was a former President of the exchange, . . . of Strong, Sturgis & Co, for many years a governor of the exchange, and one of the most reputable, well-known men in New York."

"Mr. Untermeyer: Very well, then; that is an answer. How do you justify as legitimate the transaction of a pool or syndicate in giving out buying and selling order to brokers for the purpose of lifting the price of stock or of depressing it?"

"Mr. Sturgis: These are the acts of individuals. I cannot be responsible for what thousands of people throughout the country do."

(The Hughes Commission reports that manipulation is generally apparent to trained observers.)

"Mr. Untermeyer: Do you seek to justify it?"

"Mr. Sturgis: It depends entirely upon circumstances. I have already said that under certain conditions, orders given out, commissions paid, no collusion whatsoever, the broker who buys not having the slightest knowledge where the order comes from that the broker executes to sell—I say it is not an illegitimate transaction."

"Mr. Untermeyer: Will you be good enough to answer that question? Is not the operation at times resorted to to depress prices and at other times to lift prices?"

"Mr. Sturgis: Yes; I can consistently answer that."

"Mr. Untermeyer: You approve of these transactions, do you?"

"Mr. Sturgis: I approve of transactions that pay their proper commissions and are properly transacted. You are asking me a moral question and I am answering you a stock exchange question?"

"Mr. Untermeyer: What is the difference?"

"Mr. Sturgis: They are very different things."

"Mr. Untermeyer: I thought so. There is no relation between a moral question, then, and a stock exchange question?"

"Mr. Sturgis: Sometimes."

Another witness who was called, not a stock exchange broker, Mr. Morse, being asked who was the middleman, testified as follows:

"He is the gentleman who manipulates the stock, giving the buying and selling orders. (Morse rec., 710.)"

"If he merely wishes the stock to appear active he gives buying and selling orders in about equal volume; if he wishes to put up the price he gives an excess of buying orders; if he wishes to depress he gives an excess of selling orders."

Would it not appear that some of our purists who set their faces against tobacco and inveighed against the dissipations of the men of our Army in France might turn their attention to our stock exchanges which, as suggested by the evidence above, have their being independent of morals? Stock exchange men will tell you that they and their institution are necessary to the well-being of the state, yet, when the world's civilization was face to face with the gravest crisis in history, stock exchanges the world over, either shut down of their own volition or were closed by the government under whose authority they lay. And yet, with our exchanges closed, Canada organized the first expeditionary force with outstanding despatch. One may well wonder wherein lies the necessity of the stock exchange, especially the dishonesty of it. And I fancy that 99 out of every hundred, possibly 999 out of every 1,000 of our people cannot recall any inconvenience felt during the closed period, nor did they experience any relief when our exchanges opened again.

THE MAIN STROM.

But the stock exchange has an economic use, and the ideas of Edward D. Page—a member of the Hughes Commission—on the subject of speculation, are interesting.

"Mr. Page: There are two classes of men, Senator Hitchcock, who speculate. The first class are men who have a knowledge of the things in which they speculate—farmers, for instance. Every farmer is, more or less, a speculator. A speculator is any person who purchases or carries commodities with the expectation of finding a better market to sell them on than the present market. Every farmer who raises a crop of wheat judges as to the best time he had best market his products. He may borrow money to enable him to carry that product until he markets it. That is the essence of speculation; and speculation in stocks is no different from speculation in commodities. So, I answer you that the man who speculates with intelligence, as the farmer does with his wheat ordinarily, knows his article, knows just what it costs, knows just what it will probably bring, knows when is the right time to sell it—that is to say he knows when it will be most in demand—he is an intelligent speculator and is of benefit to the public."

"Senator Pomerene: The bucketshop-keeper is a speculator, too?"

"Mr. Page: Not the bucketshop-keeper, but the man who trades in the bucketshop. The bucketshop-keeper is a gambler who is playing with loaded dice."

"Let me say a word, too, about the other class of men who speculate, the man who sees that intelligent speculation is rewarded, as all public services are, with gain, but who knows nothing about the commodity in which he is speculating, and simply buys it on his feeling or on somebody else's tip, or something of that kind. He is certain in the long time, nine times out of ten, to lose his money, because he is not performing a public service in an intelligent way. The consequence is that those people come under your class of those who are unfortunate in their speculations. But the aleatory instinct is absolutely founded on human nature and, so long as the seasons alternate from hot to cold, and so long as conditions at one time are good and at another time are bad, just so long is human nature susceptible to the desire to make money through their knowledge of conditions. That is my impression about speculation."

"Therefore I think that you cannot avoid speculation. As to borrowing money to speculate, it is just as right to borrow money to carry 1,000 bushels of wheat or 1,000 shares of stock as it is to borrow money to carry a house."

We may, and I do, question the soundness of Mr. Page's last statement, but I am thoroughly in accord with him in what he says about the necessity of knowing the business one would speculate in through issued shares. I know I have seldom made a mistake in a mine, twice only, I think.

THE DOUBLE BLUFF.

The first one was Kerr Lake, the great Cobalt producer. This mine had connected with it the Lewisohns, of New York, of whom the Pujo Commission speaks in scathing terms.

For several years the report on the Kerr Lake mine spoke of the quantity of the ore in the mine, and not of the quality: "we have twice as much ore as we had last year," and such assertions. It is unthinkable that a rightly managed mine should not disclose to its management the value of the ore it had in sight, as well as its quantity. Now ore is anything that is dug out of the ground, while high-grade ore on the Kerr Lake ran up to \$4,000 to the ton: rock need not even pay treatment charges to be ore. So the statements of the Kerr Lake Mine, to the trained observer, seemed so much equivocation, and made him look upon the mine with suspicion. This was, apparently, what the directors needed in their business, as a certain class of manipulator always desires to have a short interest in his stock. On the other hand, the statement would satisfy the less exacting. The history of the mine shows that, while these statements were being put out, the ore reserves were quite strong.

The deal over which the Pujo Commission slated the Lewisohns was that of the Hocking Pool, of which Mr. Untermeyer says:

"Another of the notorious instances of manipulation in the recent history of the exchanges was that of the Hocking Pool in 1909, of which the late James

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B. Keen was manager, the operations of which will be found described on 47-49 of the report. The stock, which was earning only $\frac{1}{2}$ of 1 per cent., was forced up from \$24 to \$92.50 per share. The entire number of shares listed was 69,304. In a single month (March) when the pool operations began 143,400 shares were traded in. Upon the termination of the pool operations the stock declined to \$2 per share and then disappeared.

"More remarkable than even the neglect of the authorities to stop this operation when they knew that it was going on was the theory on which they inflicted 'punishment' after the pool collapsed. Of the ten firms engaged in the pool only the three that failed were punished. They were expelled from the exchange. The others were neither expelled nor suspended, they were merely 'censured.' Thus the punishment was inflicted not for the character of the operations, since all were equally guilty in that respect, but for becoming insolvent in consequence of dealing beyond one's means. This was admitted by Mr. Sturgis (See., 846):

"I would like to know why you should expel two members of a pool out of seven stock-exchange firms for doing the same thing that the other five did simply because those two happened to fail at it. A. Because they went away beyond their means.

"Q. Do you mean to say that the things these firms did were not punishable under the constitution? A. No, they were not punishable.

"Q. Do you think that they ought to be? A. We have not thought so heretofore.

"Q. Do you not think so? A. I do not think so, no."

Thus it is seen that market rigging is not a crime in the eyes of the stock exchange, though an English judge has pronounced it "as base a fraud as has ever been committed."

OUR FINANCIAL ADVISERS.

If our stock exchange men were a body apart, their morals would not be such a pertinent question, but they stand at the head and front of our nation. our government goes to them for advice. In talking to a friend one day I ventured the opinion that Sir Robert Borden was a weak character, one thoroughly imbued with the spirit of the money-lender (not the usurer), he having been nurtured by the banks. "Oh, no," said my friend, "Sir Robert Borden goes to _____ for advice." "Yes," I replied, "when _____ has served the _____ Bank, the _____ Railway, the _____ Company, and the firm of _____ & _____ he may have a mind for his country, but only then." In the guise of giving financial advice, our big bankers rule the country, and when we consider the rotten school of stock-jobbery in which many of them are nurtured, we may well question their ability to place their own interests in the background when questions of state come up. It would seem that some of our wealthy men might well give up the pursuit of dollars that they might serve their country—for their country has served them well over the last few years—but, apparently, they would rule rather than serve, and they rule by giving what they desire to appear advice, but which is, rather, instructions: their advice is a delineation of policy rather than an expression of principle.

"ALL IN . . ."

I have said enough and quoted sufficiently to compromise the morals of our stock-market men: I will now relate an experience with an amateur. The man to whom I refer is a lawyer, solicitor to a great mining company. Among his friends he poses as a religious man, and I have no doubt he goes to church very regularly. He was made solicitor for a new mining company, the stock of which was to be placed on the market, and he was given some of the shares to sell; in fact, the marketing of the shares was placed in his hands. He came to me and asked me to help him sell shares. I was shown a very favorable report as to the mine's physical condition, and I agreed to advise my friends to buy the stock. In the course of my travels I came upon a man who gave me a very

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adverse report on the mine. I then sought the manager and questioned him. He told me that he had made a rosy report that his director might show it to the man who was putting up the money for development. On receiving this word I immediately advised my friends to cancel their applications for shares, and I went to the company's solicitor and told him. This man turned aside the tale I would tell and seemed annoyed that I should question the legitimacy of the promotion. Some days afterwards he met me and he told me that two brokers who had also been employed to sell the stock had come to him and asked him for some shares to "put through" and he wished my opinion. I told him that the process was illegal, false pretence and a crime generally. This seemed to annoy him very much, and he left me, his head in the air.

I am quite sure that this solicitor did lend shares that they might be used in washing sales, for the stock afterwards rose on the market to 40% above the issue price. Since then it has fallen to 40% of the issue price, or to a figure around 25% of its high figure. In an investigation it would be quite easy to trace the sales of this stock on the exchange, and to judge of their legitimacy. Needless to say, the lawyer vendor, and the whole stock-jobbing fraternity, their touts and their toadies, would strenuously oppose such an enquiry.

Book II.

"Patriotism---The Last Refuge of the Scoundrel."

CONSPIRACY.

I will now turn to the episode through which and by which our own market riggers were guilty of one of the most despicable crimes ever committed in finance since the days of Medici. The tale I am able to tell will tax the credulity of the ordinary man. Though I have studied the circumstances from every possible angle—and I have entered two suits against stock exchange firms and so have gained access to facts—and though the stock exchange people have been given every opportunity to explain, I have found nothing that could be seized by the most prodigal charity in extenuation of their actions: so far as the exchanges are concerned, the most charitable explanation is that they were blackmailed by a coterie of virulent financiers into doing what they did.

THE HUN AT THE GATE.

At the panic immediately preceding the outbreak of the Great War, the Montreal, and then the Toronto Exchange closed down. Mr. Gordon Osler, son of Sir Edmund Osler, President of the Dominion Bank, stock exchange man for the firm of Osler and Hammond, in an interview given to the "Mail and Empire" for July 29th, 1914, said that he could not open his mouth to bid for stocks but that they were thrown at him. Prices were dropping very sharply, and the stock exchange closed, and the committee claims that their action was based on the public interest.

This claim requires very careful looking into. The "public" is a name given to the common or garden citizen, the working man and the wage-earning class. In stock exchange panics, when prices drop suddenly, the opportunity of the wage-earner appears, for he is the man with savings bank account who can buy bargains. So it cannot be said that the stock exchanges closed for the benefit of the working man! For whose benefit did they close?

In the market there are three factors, the investor who has bought and paid for his stock; the bull who has bought what he cannot pay for, and the bear who has sold what he did not possess. The exchanges could not have closed out of regard for the bear, for the lower prices went the greater his profit. Nor would it seem that they closed out of consideration for the investor: if a holder saw defeat for the British Empire, why not let him sell?—or he might wish to realize to put his house in order before joining the Canadian Army! So we come to the bull. He has bought what he cannot pay for: the broker has bought for him, taken his 10% margin, added 10% to it and placed it with the bank. If the stock suffered severe decline, and the bull and the broker were wiped out, became insolvent, the bull would lose his 10%, the broker would lose his 10%, and the bank would lose the balance, to the limit of the decline. On the other hand, if the man with cash had been able to buy stocks at 25% of their real value, he would profit to the extent of the other's loss: Horace Greeley

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propounded the very sound philosophy that money is never lost, it merely changes hands.

AS IT WOULD APPEAR.

What really happened was this: the Government issued orders to the banks to increase their reserves and to lend no more money. This effectually placed the bulls at the mercy of the bears, for the bulls could get no more money, while the bears could keep on borrowing stock and selling it, causing margins to be wiped out and more stock to be thrown on the market. Doubtless this would have been hard lines for the bulls, but it would have been an excellent thing for the bear, the public—the butter-woman, the working man, and the country doctor. Knowing what I do of stock brokers, I feel that, if they acted by their own volition, they did so to save their own skins.

But that they did so at the bidding of the banks is more than probable. As has been pointed out, the ultimate loss in a slump falls on the banks, besides which so many of the banks have on their directorates company promoters and stock-jobbers. A debacle in the stock market might well uncover deals which had received undue support from the banks.

That the banks did coerce the exchanges would be indicated by the following:

After my return from France I issued a writ against O'Hara & Co., for the return of stock and money held by them at the outbreak of the war and funds received subsequently. Shortly after the launch of the suit the firm assigned. On meeting an acquaintance, a member of the Toronto Stock Exchange, on the street, I said:

"You fellows forced O'Hara to do as he did, and my suit has put him to the bad!"

"We could not help ourselves!"

"Do you mean to say that the Government told you to do as you did?"

"The banks did—same thing, isn't it?"

This would also bear out the dictum: "There is one government in Canada and that is the Bankers' Association—and it never goes out of power."

Again, in letters that will follow—from Sir Edmond Osler and Mr. Emilius Jarvis—the theory that the banks inspired the whole wretched business is practically stated in so many words.

In the columns of the "Globe" for July 29th, 1914, there appears an interview with Mr. Gordon Osler, in which he said that the exchange might not be open for a week: this certainly implied that the exchange would be open at the end of a week. On this promise, for so I regarded it, we who were heavily short of the market were content to wait. There had never been any precedent for a stock exchange closing at the outbreak of war, but, as the bulls were in a tight corner, under distressing circumstances, the action of the exchanges was not protested against. Certainly no one of my acquaintance sought to compromise the brokers by the issuance of a writ, a forbearance that was destined to cost me dear, as will appear.

On the 31st of July London Stock Exchange ceased trading. The dispatches read as if the action had been voluntary: as a matter of fact it was by orders of the Government. It will be remembered that war was not declared by Britain until August 4th, so reason is apparent why the hand of authority should not have been indicated.

There are a great many reasons why the London Stock Exchange should close, over the Canadian Exchanges. During the days preceding the war a courier could leave Germany one day, be in London the next, sell his securities and be back in neutral Holland that night. Again, and much more potent, the London Stock Exchange is the market for the funds of the world, indeed it came into being in the trading in Consols, as the funds were the first securi-

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ties on the market. In Canada, previous to the war, no Government security was on the local markets.

The London Exchange, having ceased operations during the interim of Mr. Gordon Osler's week, suggested, no doubt, a precedent to the local people, and they remained closed: if they sought advice it is probable that their lawyer, having learned that the London Exchange had closed, judged that the process had been looked into and was quite legal, and that his clients might do the same. But, as has been said, the London Exchange was closed by orders of the Government, indeed the declaration of a moratorium in Great Britain had the effect of relieving brokers of obligations contracted previously to the panic which, doubtless, was the real reason for the closing of our local exchanges.

At the closing of our exchanges the banks agreed not to call loans: of this there can be no doubt as, in matter of fact, they did not call loans. If an agreement such as this is made it must have a beginning and an end, but, while there is no doubt as to when this agreement began, there is no knowledge when it ended, as will appear.

UNDER THE X-RAY.

From documents produced in the case of *Jarvis v. Jaffray and Jarvis v. O'Hara*, it appears that, from time to time, the Stock Exchange Committee issued so-called new rules or instructions, marked "Confidential." But, while these documents were taken as bearing upon the contracts made on the stock exchange, amending such contracts, their contents were not given to the clients, or to the public generally. This meant that a client, having entered into a contract under the rules and regulations of the stock exchange, that contract might be amended by an alteration of the rule of the exchange. So far as "short sales" are concerned or the contract under which stocks are borrowed, are not made on the floor of the exchange and do not come under the jurisdiction of the exchange. In any case, a stock exchange may not alter a contract by the alteration of its rules, as has been demonstrated by the very celebrated case of *Union Corporation v. Charrington* (1902, 19 T. L. R. 129; 8 Com. Cas. 99). How anyone could conceive that such a process would stand in law is hard to understand, for by it the whole law against criminal trade conspiracy could be evaded.

When the week passed, Mr. Gordon Osler's week, and the exchange was not opened, it was given out that it would be closed "until further notice." Such notice was never given.

In England, in due course, the moratorium was replaced by an agreement arrived at between the Treasury, the banks and the brokers, which was clear-cut and definite. By it all stocks were to be carried to the end of the war; those contracts carrying 10% margin were to bear 7%, and those without margin 8%. Short stock was deliverable when the price of that stock reached the "last making-up price" preceding the closing, which meant, practically, the market price a day or two before the closing.

HOW THE TRAP WAS BAITED.

The report was assiduously circulated in Canadian Stock Exchange circles that a similar agreement was being reached between the Canadian banks the stock exchange and the Government for the carrying of Canadian accounts. There is no doubt in my mind that, so far as the banks and the brokers were concerned, such an agreement was made: such is evidenced by the banks not calling loans in the first instance. But to find brokers who now know anything of this agreement is very hard. By it long stocks were to be carried to the end of the war, and short stock were deliverable "when the stock exchange opened," notice of which was to be given.

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As I was carrying, in different brokers' offices, nearly ten thousand shares of Hollinger (forty thousand new shares), this was attractive to me: many of my Hollinger shares were finally sold during my absence in France.

The position of the bulls in industrial stocks was deemed hopeless over the first few months of the war: thousands of men were out of employment, and Canada had assumed the tremendous responsibility of organizing an army of over 30,000 men. Again the Canadian Northern Railway hung as the sword of Damocles over the financial world; the Nova Scotia Steel Co.'s stock was a market joke, and Dominion Steel was little better: in other words, the country was hastening to financial ruin. That the bulls would ever be able to meet their obligations seemed impossible.

ANOTHER WAY TO THE SAME END.

While the stock exchange was closed there was an active market in the street. Nova Scotia Steel, which had closed around \$42, was selling at \$25, and Montreal Power, which had closed at \$211, was selling around \$175.

As has been said, a short sale is not a stock exchange transaction. I had the right to buy my shorts in the street and present the stock for delivery. Surely one must have been offered an inducement not to have done this?

THE METHOD IN IT.

The first quarrel I had with the brokers was in the matter of interest: the rate for funds was very high, reaching 20%, and stock exchange brokers charged as high as 8½%. Not only did the brokers claim to have the right to refuse to take delivery of the stock, but they claimed to have the right to retain the balance held as security against the delivery of short stock and to retain it at pre-war rate of interest: in other words, at from two to three per cent.

The method that lies in this is readily seen: I had some \$100,000 up as security, which the brokers refused to give me in exchange for the stock, and on which they allowed me, at the most, 3% and in some cases nothing at all. This money they were employing with long customers and charging as high as 8½%. They were making out of my account alone \$5,000 per year, which, as W. G. Jaffray told me, they claimed they had the right to do. I am ready to believe that the stock exchange committee will repudiate the action of Messrs. Jaffray and Messrs. O'Hara, but I believe it could be brought home to them.

EASY MONEY.

The comparatively large amount that the brokers made out of me during the closed period is an index of the r derived by the fraternity, and it is a point earnestly demanding legi. A man buys stock through a broker under an agreement that he shall pay ½ of 1% over bank rate of interest. Later the broker finds an opportunity of securing a loan at a much lower rate of interest, sometimes for nothing, and he takes the stock from the bank and "lends" it to the needy one. According to the sworn statement of one of the defendants to one of my several suits, this is quite the custom, and is defended on the grounds that, when taking on a client, the custom is to make him sign a statement giving power to lend the stock. As a matter of fact this clause is sandwiched in among a long list of reasonable clauses, like the "joker" on the back of an insurance policy, and its significance escapes the uninitiated. I am quite sure that the point I have made has escaped the vast majority of those who are in the habit of carrying stocks on margin.

CONTANGO.

I do not say that selling short should be abolished: in fact I believe that the bear should be given every protection and facility: the bear trader is the

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friend of the small investor—who seldom buys on margin—against the promoter, the capitalist. But I do claim that when the broker is able to arrange a loan at terms that are more favorable than the purchasing client had in mind when he gave the order, the benefit should go to the client. When a broker places a client's stock in the bank, it is the client's stock, and in case of the failure of the broker, it can be followed. But when a broker lends it, surely the ultimate purchaser could not be made to give it up? Of course, there would be less incentive for a broker to lend stock were he limited in profit to $\frac{1}{2}$ of 1% in doing so, but then there is no reason why the English system should not be introduced into Canada—that of bi-weekly settlements. It is much the better system for the client, though correspondingly less profitable for the broker. By the English system the buyer buys for the next settlement, and the seller sells for the next settlement: the buyer pays the carrying charge, or contango, and the seller receives this amount, and the broker is limited to his commission. All clear and above board. If one has sold a bear and desires to maintain his position he, at the settlement, buys in the stock and sells out for next settlement and the price at which this is done is fixed by the committee appointed for the purpose.

A CHANGE IN THE WIND OF FORTUNE.

As I was waiting for some announcement of definite policy by the Stock Exchange, an unlooked-for change was coming over the situation. Munition orders were coming in, finding an echo in strange rumours that circulated through the street. Needless to say, the exchange committees, through their affiliation with bank directorates, learned of the soundness of the rumours—for payment for munitions ordered was being deposited in the banks: we on the outside knew not what to believe.

Evidently the stock exchange men, finding the public amenable to their specious cries of "in the public interest," decided to wait and see. They did nothing: they would do nothing. We could not find out where we were at: but they began to know. The banks were being filled with money from Britain, France and Russia, for munitions and supplies.

As a first sign of life the committee gave out that the exchanges would be open for limited trading, that the first buying power would be used to take up weak accounts carried by brokers: the inference to be drawn was that after the lame ducks had been eliminated the exchanges would be open and short stock deliverable. Incidentally they had called from the members statements showing the accounts carried in each office, including short accounts—of which the exchange has nothing to do. This is set forth in the "rules" produced in the Jaffray and in the O'Hara case. Just what right the committee had to ask their members to furnish accounts of their client's business—especially that outside of stock exchange business—or just what right the stock exchange members had to furnish such accounts, is not quite clear, but I believe that my business was divulged to the stock exchange committee. It is true that a committee of a stock exchange has the right to examine members' books, but this is supposed to be only exercised in a process of determining fraud: that they had the right to make the demand they did is much to be questioned. It points to the intention of an agreement on the lines of the English carrying over agreement.

The exchange opened for limited trading, the market being under-pinned by minimum prices. Things began to get much better, the rise in the New York market aiding, as many losses by those who traded in both markets were regained. Nova Scotia Steel, the erstwhile stock market joke, rose from where it had gone, \$25 to \$35 per share, and one could not but believe the stories of orders given by the Russian Government with the company for cars and railway equipment generally and, more important, of money deposited in Cana-

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dian banks to pay for the same. I went to W. G. Jaffray and asked him, as a special favour, if he could not take the Nova Scotia Steel and carry it till the party from whom he had borrowed it would take it; he said that he could not, that the stock exchange would not allow him to take it back. I then asked him if he considered that he had the right to hold my money at 2% while he employed it at 8%, and he said that he had. I have no doubt but that the stock exchange committee told him that he had, but if they did, those astute beings were careful not to put it on paper. Finally, about the first of April, 1915, the stock exchange was declared to be open for limited trading, brokers being allowed on the floor.

Immediately stocks began to mount very high and the brokers found that there was no great tendency on the part of the public to sell, as, I believe, there never had been from the first days of the panic. One would have thought that, this condition being shown, the minimum prices would have been eliminated and the regulations against the lending of stocks and making short sales removed. Such had been the course of the New York Stock Exchange.

But the Toronto and Montreal people not only wished the stocks not to go down, but they wished them to go up, so they maintained their regulations against short selling and the lending of stocks, while they told the bears, those on whose forbearance and good nature they had thrown themselves a few months before, that they were now ready to receive the short stock. Montreal Power, of which Sir Herbert Holt, President of the Royal Bank, is President, a 10% stock, sold up to \$240 and \$250, against \$211, at which it had closed, and Nova Scotia Steel went to \$150, against a low price of \$25. Over this time Canadian Pacific, Canada's premier security, a 10% stock, sold from \$126 to \$190. Why the investor should pay \$250 to get the same return as he would have from C. P. R. at, say, \$150, is not quite clear: as a successful speculator I must say that Montreal Power stock never appealed to me in any shape. By no stretch of the imagination could it be deemed a "munition stock." The answer, of course, is manipulation.

WHAT IT MEANT.

When it is remembered that the Hughes Commission stated that the selling by bears was the only protection that the public enjoyed against the undue fluctuation of stocks, it will be realized that the elimination of the process made manipulation particularly easy and inexpensive and, I have no doubt, this was the intention. The brokers may say what they will, but the impartial man must be convinced that the brokers were guilty of treachery in the most atrocious villainy; for myself I believe that a charge of conspiracy in restraint of trade could be brought home to them. They had in their possession reports telling them who was short and to what extent, and they must have known that no one would stay short did he contemplate the maintenance of such a market.

When the market advanced above minimum prices my brokers were called upon for margins, or mark-ups on the stock on which I had been short at the closing of the exchanges. I told them that the prices were a creation of a rigged market, and that they had no right to put out my money: but they did. Evidently the case would go to court. A law that is never a pleasant thing, and it is seldom profitable. So I wrote Sir Thos. White, Minister of Finance, that the exchanges were not treating me fairly. I received the following reply:

"PASSING THE BUCK."

Ottawa, April 10th, 1915.

Dear Sir:—

I have yours of the 6th instant with reference to the course of dealing with certain stock exchange firms and their clients. As the case relates to property

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and civil rights it would seem to come within the exclusive jurisdiction of the Provinces, and consequently neither myself nor any other member of the Federal Government has any status to, in any way, interfere. The rights of the parties in the instance set forth in your letter would seem to me to depend upon Provincial or common law.

Yours truly,
(Sgd.) W. T. WHITE.

To this letter I replied that I believed that it must have been with his consent that the stock markets had been closed. His further reply is interesting.

To my second letter I received the following:

Ottawa, April 13th, 1915.

Dear Sir:—

Replying to yours of the 12th inst., no consent on my part was required for the closing of the Canadian stock exchanges. As a matter of fact, I was absent from Canada at the time and was not aware that they were about to close until the announcement was made in the press. They are entirely local institutions; and not in any way under Federal jurisdiction; therefore, as I stated in my previous letter, I have no status to interfere in their affairs. It is perfectly clear that as far as their transactions concern property and civil rights they are under the exclusive authority of Provincial legislation.

Yours truly,
W. T. WHITE.

These two letters left me with little hope of gaining any aid towards justice from the Federal Government but, as I was impressed with the inequity of the deal that had been accorded me, I felt that Parliament might take an interest in the matter. So I entered into correspondence with Mr. A. K. Maclean, who was then in the opposition. Mr. Maclean expressed interest, but thought that the time was not opportune, though he seemed to admit that a general enquiry was overdue. In connection with this latter idea it may be said that Great Britain enquired into the London Stock Exchange in 1877, and that, in more recent years, the United States had two commissions and several committees make such an investigation. Canada has never had such an enquiry: I am ready to believe that the members of our exchanges would look upon one as an invasion of their rights.

IN RETROSPECT.

Some may accuse me of negligence, that, being thoroughly acquainted with the processes of market rigging, I should have anticipated what the committee would do. To this I will reply that the circumstances of a whole stock exchange lending itself to a rig in the market is without precedent: a man may buy a stock with the expectation that it will go up, or he may sell it with the expectation that it will go down, but he never speculates with the expectation that the rules of the exchange will be altered to affect the market. All the books of rules dealing with the stock exchange the world over are completely lacking in any rule that deals with the market; rules bear upon the mode sales are to be made and the conditions under which stocks are to be delivered. No rule of any exchanges bears upon the market. Again, it is a rule among civilized people that the man who throws up his hands shall stay surrendered: the Hun who shoots in the back the man who has succored him is execrated the world over. There may exist among Canadian brokers the honour that is to be found among thieves, but it would appear that our brokers have no code of honour obtaining in their traffic with those out of whom they make their living. It is hard to see how their actions have paid them: my business was worth from three to five thousand dollars a year—in which they all shared—and they have lost it and, I fancy, that of a number of other traders.

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SOME ADVICE.

The next move I made was prompted by a rumour of a rather amusing occurrence that reached my ears. This story was to the effect that, in the panic preceding the war, two callow youths in charge of a bond house in Toronto sold out everything that they had. Shortly afterwards, and after the brokers had defaulted in respect to their short sales, the proprietor of the concern, an ennobled politician and financier of London, he of whom it was said, "he cemented the Empire," arrived on the scene. He, it is said, repudiated the action of his employees but, as the thing had been done, he employed Mr. Norman Tilley to see that the brokers met their obligations. Hearing this story, I determined to find out the truth of the matter so, with my then solicitor, J. R. L. Starr, K.C., I called on Mr. Tilley on the plea of consulting him on my case. As I should have known, I got nothing out of Mr. Tilley as regards the facts of this story, but the advice he gave me is very interesting. He told me, in the presence of Mr. Starr, that I should have taken the stock and tendered it, and having failed to do this, my case was hopeless. I suggested the possibility of bringing a suit for damages against the Committee of the Toronto Stock Exchange, based on conspiracy. "The Toronto Stock Exchange can do what it pleases," said Mr. Tilley. "It is a free body."

I have it on the authority of one of the world's leading barristers, a gentleman of the Middle Temple who makes a specialty of stock exchange law, that a stock exchange may not close and, as for the idea that such an institution may do as it pleases, we have only to suggest the position growing out of a stock exchange committee hiring an assassin: could the committee escape on any plea that not one of them was guilty as an individual? To the ordinary mind this does not suggest itself as being in keeping with the common sense on which our common law is based. But if our stock exchange may do all that was done by it, circulate false rumours, prompt and stimulate its members to misappropriate my funds and disburse them against my direction and in defiance to my orders, then the quicker some action is taken to limit and define such powers the better.

A TRUST.

The position of a broker is clearly defined in law, the money he holds for a client is fiduciary, that is it is trust money, and he can have no authority to deal with that money save by direction by the client. It may be said that, at the closing of the exchanges, I owed certain stocks, but here again the law says that, the party to whom goods are deliverable under contract, announcing that he will not accept delivery, he loses the right to claim under that contract. Again: the law says that on a client dying, having open contracts with a broker, the broker shall immediately close those contracts, the theory being that one being dead he can give no further authority, and one does not speculate for his heirs. In view of this it would seem reasonable that, a broker having made a contract for a client in a certain market and that market subsequently ceasing to exist, the broker should secure new authority before he made further disbursements in connection with such contracts. No such case has ever been tried, for no exchange has ever attempted to do what our exchange has done.

Mr. Tilley told me further that, if I brought a charge of conspiracy against the stock exchange committee that all the defendants would have to do would be to bring Sir Edmond Osler to the stand and that, on this gentleman telling the court that the actions of the brokers was in the public interest, decision would go against me. This idea caused me some perplexity, and so I wrote Sir Edmond Osler. The exact text of this letter I do not know, but I believe I started it with a preamble to the effect that it was the part of gentlemen to deal justly by their enemies. Whatever the contents of the letter were the

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recipient does not wish to disclose them as, to the following letter I was not given a reply of any sort:

21 Oriole Road, Toronto, 9th May, 1919.

My Dear Sir:—

According to a letter I have from you it appears that I wrote you on November 13th, 1915. Would you be good enough to lend me this communication as I desire to copy it. I engage to return the original to you.

Yours very faithfully,

(Sgd.) W. H. P. JARVIS.

Sir Edmond Osler.

But that there was a letter of the 13th of November, 1915, is evidenced by the following:

21 Jordan Street, Toronto, Canada, Nov. 16, 1915.

Dear Sir:—

I have your letter of the 13th inst.

I cannot gather from your letter what your grievance is, but I shall be glad to see you at any time, and if I can help you in any way will be glad to do so.

The members of the Stock Exchange have very stringent rules at the present time, and there is no doubt that these in cases do work a hardship, but they have been adopted for the general good and have the sanction and approval of all the banks.

Yours very truly,

(Sgd.) E. B. OSLER.

The statement that the Stock Exchange rules had the "sanction and approval of all the banks" is highly interesting; possibly some of those who purchased Nova Scotia Steel around the \$150 mark as the result of market rigging may have trouble in seeing the philosophy in it; but that the banks were in collusion with, or under a common coercion with the stock exchange in these sales is most strongly indicated. None may speak louder on behalf of the Canadian Banks than Sir Edmond Osler.

AN APPEAL TO CÆSAR.

Of course, I replied to Sir Edmond Osler's letter, stating my case. I closed with the following appeal:

"If, at the time of the panic, an injunction was placed upon the bears and their rights taken away from them for the benefit of the bulls, now that, apparently, the tables are turned, the bears should receive some consideration.

"Some bears, at the close of the exchanges, sought legal advice and forced a compromise. The fact that I did not, through a sense of decency, should not operate against me."

Yours very respectfully,

(Sgd.) W. H. P. JARVIS.

Sir Edmond Osler.

In the body of the letter I pointed out that I was getting only 2% on the money held against bear sales, and other points within the reader's knowledge. That it was quite within the meaning of the Stock Exchange that I only should get such 2% is suggested by the following:

21 Jordan Street, Toronto, Canada, Nov. 24th, 1915.

Dear Mr. Jarvis:—

I have your letter of the 19th inst., which I have read carefully, and I have been making enquiries as to the rules which govern the dealing in stocks since the beginning of the war, and so far as I can make out nothing except in conformity with these rules and regulations has happened in your case.

As I told you, I have not been on the stock exchange for many years, and I was not in the country when the war broke out, and when all these arrangements were made, so I am not familiar with them from the beginning, but from what I can learn I think that your case has not been treated on any different basis from that of all who were selling and buying stocks at the time.

Yours very truly,

(Sgd.) E. B. OSLER.

THE LAST REFUGE.

In this there was scant consolation. It will be noticed that the injustice that had been worked against me did not gain me a champion in the man whose voice could sound above all others on the Toronto Stock Exchange: nor did he try to justify the operation of the so-called rules and regulations that had the endorsement of all the banks.

What power the banks and the Stock Exchange had to make rules, which amounted to nothing more than a delineation of policy to make one set of traders the prey of another, is very hard to conceive: the workings of these "rules and regulations" was nothing more than the perpetration of a conspiracy, and a very low and mean conspiracy at that. Were their action legal and outside the criminal law, then they have shown the way to the open working of a trade conspiracy. Trade conspiracies are, to-day, as every one knows, rampant throughout the world; the question is to bring them home. This Bankers-Stock-Market conspiracy is blatant, and it is to be proved out of their own mouths.

Were it beyond doubt that the action of the Stock Exchange was in good faith, that its motives were for the public good solely, then I or any one else who harassed the committee would be open to general execration: but if, as I claim, the committee, after saying: "we are acting only under patriotic motives," used the license afforded them to hatch a conspiracy against those on whose chivalry they had cast themselves, then the doors of prison should close on them. What are the facts?

ARE FINANCIERS WIZARDS?

The ability of anyone to prophecy on financial matters is much to be questioned. If our late war were to break out again, with the knowledge we have now, the stocks that were most under pressure at the end of July, 1914, would boom. Once, while in the drawing room of an aged lady relative, I heard an old man talking, loudly, as is the custom with those in advanced years. The name of one of our most prominent financiers came up; I may say the name of our most prominent financier. The old gentleman said: "_____ once came to me and asked me to take charge of his office. I asked the privilege of looking over his books. This was accorded me, and I found so many losses that I refused to have anything to do with the business."

The stock broker referred to is regarded by the public as a veritable Bayard, and is he to whom I referred when I told of a friend saying that Sir Robert Borden sought able advice. It would be interesting to know whether the report of the old man was true, whether an examination of the books of this pseudo-magician, or the stock exchange firm of which he is chief, would show a long list of losses, for, if it is to be presumed that the clients in a brokerage office are under its guidance in their speculations, one may wonder how the country may hope to prosper where the individual fails. The United States has looked into this matter, and it has been found that no brokerage office has a speculative account over three years. In other words, brokers rear their fortunes at the cost of those who trust them.

ANOTHER PILGRIMAGE.

About the time I took up correspondence with Sir Edmond Osler, I, in company with my solicitor, called on Mr. J. Tower Fergusson, then President of the Toronto Stock Exchange. I thought that some fair settlement might be brought about in my case. Mr. Fergusson, we found, quite philosophical about the matter and suggested that the courts were open to me: moreover, that it would be very interesting to have the point tried as to whether the Stock Exchange had the power to do what it did. An injustice that had been done to me did not appear to appeal to him. I suggested that if I were

DON QUIXOTE IN FINANCE.

compelled to enter suit against Messrs. O'Hara and Messrs. Jaffray & Co., these firms might not appreciate the development, that they were friends, and that I wished an amicable settlement. If I could gather anything from Mr. Ferguson's attitude, it was to the effect that the position taken and the deeds done by the exchange had been the result of coercion or intimidation by outside forces. I am very ready to believe this, as I have been very creditably informed that, at the time of the closing of the exchanges, a great many of the brokers were not in accord with the move at all.

THE POWER OF MONEY.

The control of credit is one of the forces, probably the greatest force to-day. Money is very often and very aptly called "the munitions of war," and the man who has no credit is much handicapped in the battle of life as it obtains in the commercial and financial world, and half-a-dozen men control or can influence the nation's wealth, have the power, which they wield, to coerce practically every business man in the country. The member of Parliament who comes from the uttermost ends of the land is most often in continuous need of money and, if the banks will not lend it to him he is a cripple, commercially. Again, our country itself is a persistent borrower, and must get on its knees to the money-lender.

There is no one who is a more persistent borrower than a broker, with the consequence that there is no one who can less afford to offend our money-lords than a stock exchange man, or with whom popularity with the bankers is so necessary: credit is the stock broker's stock-in-trade. The result is that the word of the president of a great bank is law to the stock exchange committee as well as to Parliament. As an illustration of the power of our bankers over our legislators, it is only necessary to point to the occurrence wherein the former issued a mandate to Parliament to deliver up to Mackenzie and Mann forty-five millions of dollars, and had their demand complied with overnight. This shows what a mockery our Parliament is of all that it is supposed to be. Our governing machine, or what is supposed to be our law shop, may give away forty-five millions of our country's funds to two adventurers, to whom Sir Adam Beck has very aptly given the name of, "blights upon the public life of Canada," and this without the semblance of a discussion.

THE SOUL OF MONEY.

Some thirty-five years ago a party of engineers was scrambling along a mountain-side, in the process of building the Canadian Pacific Railway. The chief was a young man. At the head of the procession was one of the staff, carrying a small axe, the property of the young engineer and worth about seventy-five cents. As the little band progressed he with the axe stepped out upon some loose rock: in a moment the mountain-side sprang into life, thousands of tons of detritus were on the move—the man with the axe was sliding to his doom. The others stood spellbound, all—save the young engineer—felt their hearts in their mouths as they saw their comrade being carried to his death. The apprehension of the young—and brilliant—engineer had a different source. As his trinket tinkled over the precipice, companion to his struggling fellow-creature, he was heard to exclaim: "My God: there goes my axe!"

HOW TO "GIVE" MONEY.

He of whom this story is told is to-day one of Canada's wealthiest men, the president of a bank whose assets figure over \$500,000,000, a director of a great railway, reputed to be a remorseless stock-gambler, and, I am ready to believe, the inspirator of a great measure of our market-rigging, as he is also

THE LAST REFUGE.

the president of a company, the high price of whose shares is one of the anomalies of our markets.

Some years ago I was travelling to Europe, and on the great Cunarder in which I had taken passage was also this man. One day, in the Mediterranean, he opened his heart to me. He told me of his givings, and, more important, he told me how money might be given to gain the greatest recognition. When the war came the bank of which this man was President was noted for being the hardest on the small shopkeeper and the farmer; this opens up, by suggestion, the danger that lies in having the command of hundreds of millions of the nation's wealth in the control of such a man. He will favour the broker-creditor at the expense of the small merchant and the farmer.

And then there is suggested the danger that lies in our being beholden to the financiers for the support of our charities. I believe that virtues and sins often lack correlation; the most exemplary husband and father is often the greatest crook in the city, while the profligate is often scrupulously honest in money matters. The corner-loafer, the rowdy and the thief have responded to the call of true patriotism, and many such lie on our battlefields in Europe—we honour them, not as they lived, but as they died. The unthinking do associate virtues and the washerwoman, seeing in the press that so-and-so, president of this or that institution, has given so much money to a charity, feels that he must be a very Godly man and, therefore, she trusts her savings to his hands. The subscription list might well be done away with, letting the responsibility for our charities fall upon the taxpayer: those who would give might well do so anonymously, not letting the left hand know, etc.

PUBLICITY.

One might well ask why I did not air my troubles in the press, the stock exchange being a public institution.

That the press was either chloroformed or lent itself, voluntarily, to the conspiracy is more than suggested by an article that appeared in the Toronto "Globe" for April 2nd, 1918. This screed, evidently inspired, was filled with mean insinuation and full of untruths: it tried to make virtue out of a crime, going better by one than the man who would make virtue out of necessity.

COMPOUNDING A FELONY?

The press I regard as one of the enemies of civilization and, to illustrate the depths to which it will delve at the bidding of the capitalist, I will tell an experience. In 1907 or thereabouts, Silver Leaf stock was being manipulated by a gang who ranked among the most vicious in Toronto, which is the same as saying that they were as crooked as well might be.

Concurrently there appeared in several of the Toronto papers, particularly in one evening paper that poses as the friend of the working man, accounts of a strike of ore on the mine. This discovery, which had no occurrence in fact, was mined to depth, and vivid accounts were printed as to the ore taken out. One day, in Cobalt, I fell to declaiming against this sort of thing, when one of the local sports took me up: we made a wager on the lines that we should hire a rig, go and review the reported strike, and if silver could be found I should pay for the expedition; if no ore could be found, the cost was to be borne by the other side. I did not pay!

Not long afterwards, when in Toronto, I met the financial editor of the paper I have referred to. I knew him.

"Why," asked I, "do you print such stuff?" I referred to the false stories concerning mining operations on Silver Leaf.

"Oh," said he, "we have to; those people rent offices from us, and we have to."

DON QUIXOTE IN FINANCE.

He might also have said that they rented advertising space from his paper. At least my little story will tell how little real interest the "democratic" press takes in the welfare of its readers, its true patrons. Of course, were a criminal charge of aiding and abetting fraud laid against these newspaper men they would plead that they acted in good faith. But who can conceive that a financial editor believes one-tenth of the "dope" he turns loose on an unsophisticated public?

REALITY.

The thing is that the newspaper men collect enormous revenue from the advertisements of the brokers. In one morning paper, published in this city, I noticed the advertisements of no less than six firms I verily believe to be bucket-shops. The thing is that the newspapers collect their news out of the brokers' offices rather than pay correspondents, and they will print most anything that is offered them. On the other hand, the editors would find discrediting the brokers poor business, so it is not done. At a guess I would say that at least 50% of the financial advertisements appearing in our daily journals have a dishonest origin—why not investigate and see? They do such things in England and the United States!

A CREATURE OF JUDAS.

To me it is a great regret that I have not copies of the letters to the newspapers I wrote in criticism of the action of the Canadian exchanges at the time of closing. They would be an object lesson of the subservience of the press. It would be of great public interest if everyone who wrote letters to the public journals would keep copies, that those refused publication might be collected and printed in book form: by such means an estimation of the value of the press as a pillar of liberty might be gained. My idea of the press is that it has been perverted into an instrument of oppression, a tool of the money-lender and the capitalist.

FROM THE FIELD OF HONOUR.

From France I wrote Mr. Æmilius Jarvis:

France, March 20th, 1917.

(Without prejudice).

Dear Mr. Jarvis:—

I write you for a little expression of friendship. I base my request on the slight acquaintance existing between us, as our blood affinity is negligible.

My trouble is in the stock exchange and grows out of the stock not delivered at the closing at the end of July, 1914. Two accounts I had with Toronto stock exchange houses have been closed out during my absence, and I am advised to take action against the members of the committee individually on the ground of conspiracy, and against the brokers on the ground that having refused to take delivery they forfeited right. This latter, I believe, is well established in law. The former is not—at least I believe there is no precedent. But what I would like to ask you: do you believe there is any chance of doing anything with the exchanges without the use of the heavy guns of the courts?

At the closing I played the game and made no complaint at the stock exchange rulings, save that I felt, when money was in such demand, that interest allowance should be in full.

My idea of conspiracy lies in the opening of the exchange under new rules. Now, Lord Reading says that rigging the market is conspiracy. The question is: is my contention right that moving against selling short and the establishment of minimum prices constitutes market rigging?

These are days when great latitude is demanded in dealings between men, and so far was I from trying to depress prices at the closing that I advised a friend not to enter in a stock auction on the ground that he would outrage public opinion.

It appears to me that it will not pay the exchanges, Montreal and Toronto, to have such a suit as I am advised to bring against their committees go for-

THE LAST REFUGE.

ward. It would mean much acrimony and an unending amount of worry and trouble, especially if I made some of the companies whose stocks I shorted party to the suit. After unending strife the judge would probably recommend that I be compromised with.

I can't get out of this. The Government needs me here. The outstanding fact is that my substance has been taken over during my absence at the front. The public will see it this way.

Mind, I am not thinking, at the present at any rate, of entering suit against the exchanges for shutting down. They did this to save the larger section of their clients. There is no doubt about this. They acted apparently in conspiracy to affect the market price of shares, and the newspapers, in support, refused to print advertisements of stocks. I had been a regular customer and had been on the books of one broker for nearly ten years. I entered into a deal relying on facilities which were taken away from me to prevent me making a profit.

Even were it legal, was it just?

_____ forced the issue by threat of a writ. I acted trusting in good treatment.

I know that I am not popular, and some, no doubt, claim my ways are devious. But I acted square.

If I fight and lose I am ruined. If I fight and win I get damages for about \$200,000—possibly more—possibly less—and the case will damage the exchanges for ever more.

If I come out of this alive I will certainly fight, and fight hard. Popular feeling will be with the soldier against the profiteer. Why not suggest to Senators Nichols, Holt and Cantley that they make it up? The stock exchange closed to serve them, and the new rules, no doubt, benefitted them. I have the right to enjoin them. Can they face public opinion in the matter? _____ may have ambitions for a peerage!

Show this letter to Mr. Morrow, with the reservation that it is not used against me. It was written without legal advice and is not intended to libel anyone, or make any threats.

What excuse can the stock exchange have for maintaining minimum prices after they had been passed—and the rule against short selling?

I trust this has not wearied you too much. Do not bother if you consider that I am barking up the wrong tree.

Kind regards. My address is: c/o Second Divisional Supply Column, Canadians, Franco. Give my regards to Mr. Morrow.

Yours very obediently,

(Sgd.) W. H. P. JARVIS.

1262252.

MY DREAM.

I was ingenuously optimistic of the capitalists fearing public opinion. They had long previously learned that, with the control of the press, they can make public opinion: this, by the way, was the creed of Von Jagow, chief of the Huns.

A LETTER FROM HOME.

Toronto, April 16th, 1919.

My Dear Jarvis:—

Why do you say that our ties of blood are negligible? They are very real. Did we not come from the same great-great-grandfather? We are third cousins, and when a relationship is definitely known, why should you say that the blood affinity is negligible? I have always regarded it as very real.

Now, with regard to your trouble with the stock exchange, this is the first time I have heard of the trouble, and, as you do not go into its origin or give me any names, I am afraid that I cannot give you much advice. However, as a rule, law-suits are anything but profitable, and if it is based on the broad principle that the stock exchange placed minimum prices on shares at the outbreak of war was wrong, there is ample precedent and authority for such, because in the general interest a panic may often depreciate the value of a stock far below its intrinsic worth, and it was largely due to the banks themselves that this was done in order that they would not have to call up margins when they knew that time would right itself. Rest assured that if it comes in my power to help you I shall be glad to do it, and if you will write me, stating definitely what it is you want of me, I will do my utmost.

DON QUIXOTE IN FINANCE.

I think it was a splendid thing of your going to the front, as you were not in the first blush of youth, and I know that you have at times suffered from ill-health.

You will be sorry to hear—(The balance of the letter was made up of gossip and news.)

Your kinsman,
(Sgd.) **ÆMILIUS JARVIS.**

This very kind letter, besides breathing the best of good-will, is additional evidence that the banks were concerned, not only in the closing of the exchanges, but in their opening up under minimum prices. Mr. Jarvis was slightly in error in his letter, the minimum prices were made several months after the closing of the exchanges, and the process was one of aiding the exchanges in opening, not in closing.

WHY BE AN OSTRICH?

An asset is an asset only insofar as it commands a market: to destroy a market does not make a commodity which was handled in it of any more value. A bank is trustee for its depositors' funds, which it may lend on a security quoted on the market, but it is much to be questioned if, when a slump is on, trusteeship is to be served by burying one's head in the sand and refusing to see. In fact, one might suggest that the reverse was the case. Had the banks been satisfied that the securities they held were really worth what they had advanced against them, then they could have said so, asked Parliament for authority to consider them so—which Parliament would have given—and let the market do what it would. To the holder of stock, the closing of the exchanges did little service for, unless he was satisfied to sell on the street market he might not sell at all. It must be remembered that the stock the bank holds is the stock of the bull who has bought what he can't pay for, and is as much of a gambler as is the bear. One may, I think, claim that the banks seeking to interfere with the market for securities against which they have lent money constitutes a most dangerous precedent, and one which the courts should be very slow to endorse. If one were to meddle with an assayer's scales or to doctor his solutions to obtain undue valuation of bullion, one would think he should be reckoned a candidate for the penitentiary—yet, wherein lies the difference?

LET US BE FAIR.

I responded to the encouragement I received from Mr. Jarvis. I wrote him an exhaustive statement of my case, and then I made my appeal:

"I am over here in a land where death travels by night and at all other times. I don't think I shall be called to run great risks, but should I go under I should be glad to have the doors of justice opened to my family—and my memory. I have considerable correspondence, and my case is set down pretty fully here. . . . I case of my death I would be glad to have my case arbitrated before, say Judge ———, if he could be induced to act, or some other judge. I hold that I have been damaged in loss of credit, worry and misrepresentation to the extent of \$150,000, besides the loss of money wrongfully paid out. . . .

Now, you have my authority, if you care to champion so unpopular an individual as myself, to send a copy of this letter to the committee of each exchange and ask them to investigate and find out what statements are objected to. . . . Then they are requested whether, in case of my death, they are willing to arbitrate this case on the grounds of law and equity.

To this letter I received the following reply:

Toronto, July 10th, 1917.

My Dear Jarvis:—

I have your several letters, together with your brief, so to speak, of your case. I am very distressed indeed at your losses, but fear that you have a slim chance of a recovery. The point that strikes me is, were you or were you not cognizant? . . . (Here follows an hypothesis.)

THE LAST REFUGE.

You will excuse the brevity of this letter after the volumes you have written, but remember I am not in the hospital and have not got any leisure time. In fact, I am driven off my feet. . . .

With kind regards, believe me,

Your kinsman,

(Sgd.) **ÆMILIUS JARVIS.**

What was the cause of the change in tone discernible in Mr. Jarvis' second letter? My request for an arbitration, which was the whole theme of my letter, was not touched on by him!

It is not probable that a man who would write the first letter he wrote to me would fail to make at least a tentative effort at having my request complied with: the theory that suggests itself to me is that he did so and found the stock exchange committee incorrigible.

There are fifty thousand Canadian graves in France and Flanders which mark the resting place of men, and, in a few cases, women, dead in a cause that, incidentally, made good the hoardings of our money lords, who, on their part, would not accord the family and the memory of one of these common justice! Does this not beggar history? And yet we are told that we fought for justice!

IN ACTION.

On my return from France I entered suit against Messrs. O'Hara and Messrs. Jaffray, and I wrote Mr. A. K. Maclean the following letter:

Toronto, 31 Oriole Road, 17th Sept., 1918.

The Hon. A. K. Maclean, M.P.,

Ottawa, Ontario.

Dear Sir:—

You will remember that, two or three years ago, you had a little correspondence with me concerning the Canadian stock exchanges, and what they did at the time of the panic at the outbreak of war. I wrote you from France several times, but received no reply to my letters.

Why I did not, I do not know. In any case, since my return I have entered two suits: Jarvis v. Jaffray, and Jarvis v. O'Hara. Over the last few days O'Hara has assigned.

I now command much more evidence that I did when I first wrote you. It appears that the stock exchanges received orders from the banks to do as they did. So far as O'Hara is concerned, he has paid out my money and I feel that I shall never recover. My suit runs into something like \$70,000. What Jaffray will do I do not know. But the thing is that my money with O'Hara went to the banks, or for their benefit. My solicitors tell me that I had O'Hara. What chance I have of following my funds as fiduciary I do not know, but they were paid, ostensibly, by direction of the banks. Whether I shall be able to launch a suit against the stock exchange and the banks for conspiracy I do not know. My solicitors tell me that it will take too much money.

The thing is that the banks and the companies listed on the exchanges benefitted by these acts, which appear to be thoroughly illegal and, in effect, piracy. They were also thoroughly mean and contemptible. The papers deny any publicity to the circumstances.

I learned in London that the exchange there was closed by order of the Government, and supported by Act of Parliament. In any case the modes employed bear no parallel, and if any person tells you that the exchanges did here what was done in London, the statement is not true.

I do not want you to be put off with the statement that I desire the downfall of the market. I am not in the market, and at no time did I wish to secure such profit. The thing is that the brokers, evidently on orders from the banks, plundered my accounts for the benefit of other brokers, and so the banks.

These people who benefitted so much by what was done at the time, and who subsequently profitted so much by the war should be made to do the right thing. O'Hara had nothing to gain, so far as I know, by the closing of the exchanges. He has been forced into bankruptcy, and Jaffray will suffer or follow suit. The difference in what London did and what was done here is very great, and I am ready to go into it if you care to have the facts. I was told in London by a great lawyer of the Middle Temple that a stock exchange cannot close. Ours did so. The people who instigated this business are those who should be made to suffer.

DON QUIXOTE IN FINANCE.

My suit must go on unless pressure is brought to bear on those who benefited to do the right thing. The interest of the country demands that it should be made impossible for men to do such things.

Do not think that I hope for any aid from the Government. This letter is chiefly to bring this matter to your notice.

I have the honour to remain, sir,

Yours very obediently,

(Sgd.) W. H. P. JARVIS.

I did not receive any reply to this communication, so some time afterwards, I had a copy of it sent through the Great War Veterans, to be handed to Mr. Maclean. This was done. In due time I wrote the following:

(Copy)

Ottawa, January 18th, 1910.

W. E. Turley, Esq.,
Provincial Secretary, G.W.V.A.,
907 Kent Building,
Toronto, Ont.

Comrade W. H. P. Jarvis,
Dear Sir and Comrade:—

Further to my letter of January 14th, with reference to a letter of the marginally noted submitted to the Honourable A. K. Maclean, M.P., I am informed by the above gentleman as follows:

"Without reference at the moment, the reply which I made to this communication, I think in a general way that he (Comrade Jarvis) call upon Sir Thomas White some time in Toronto, and take the matter of his complaint up with him. If anything can be done in this matter it properly pertains to the Department of Finance.

"I shall be very glad if you will favour me with a call some day at my office, so that we might discuss the matter referred to by Mr. Jarvis."

I am awaiting your pleasure in this matter.

Yours fraternally,

(Sgd.) E. GROVES,

For Secretary-Treasurer, G.W.V.A. of Canada.

Mr. Maclean's idea of bringing the knights of high finance under control seems to have been of short life. His idea that he sent me to Sir Thomas White is, I believe, pure hallucination. I commend the circumstances to those who admire politicians.

A DISCLOSURE.

At the meeting of creditors that followed the assignment of Messrs. O'Hara, I asked the assignee, Mr. G. T. Clarkson, if any money had been lost in the office by speculation. I was told, in the presence of about twenty witnesses, that the bookkeeper and the junior partner had lost forty thousand dollars by speculating and bucketting orders. On this disclosure I felt that the arrest of the guilty ones would follow as a matter of course. But the days passed and the youths, who, according to Mr. Clarkson, had dissipated the funds of their clients, still walked the streets. This caused me some perplexity, and the idea I finally adopted was that the stock exchange interests did not wish the men arrested, as their trial would cause too much public attention to be drawn towards themselves, and their principals, the bankers.

I always have been impressed with the idea that a broker, paying out a client's money against his interest and direction, was really guilty of theft, and, as such had been done with my funds during my absence in France by the O'Haras, I felt that the country owed it to me to give me all the aid in its power. I sought out Mr. Corley, Crown Prosecutor, and suggested that he lay an information against those Mr. Clarkson had named. He admitted that I had made a very interesting point when I suggested that the paying out of my money against my interest and instruction was really theft, and suggested that I get my solicitors to make out my case. I pointed out to him that my lawyers were specialists of sorts in Stock Exchange law and that the more dishonest brokers were, the more grist would come to their mill and the

THE LAST REFUGE.

easier its grinding, and that it was unreasonable to expect them to invoke the criminal law. Notwithstanding this argument, Mr. Corley failed to act. Some time later I addressed the following letter to Mr. Kingsford, Police Magistrate:

31 Oriole Road, Toronto, 10th Feby., 1919.

R. E. Kingsford, Esq.,
Toronto, (Police Magistrate.)

Dear Sir:—

I think it would be well for me to lay the case I have in mind before you in writing, rather than accept your kind offer of an interview. I may say that I have consulted Mr. Corley on this matter, and he admits that it would make an interesting case, but requests that I obtain a recommendation from my solicitors for its prosecution. My solicitors object to do this, saying that if the case is not made out, Mr. Corley will blame them for having prompted it.

On the 28th day of July, 1914, the Toronto Stock Exchange closed down in panic. On that day I had with Messrs. O'Hara and Co., of this city, some eight hundred shares of Hollinger stock, fully paid, besides funds in cash and credit balances. On that day O'Hara refused to deliver more than two hundred shares of Hollinger he held for me. And he refused to give me any money.

On November 2nd, 1914, by letter of that date, withdrew authority from O'Hara to deal with a certain sale of Montreal Power stock, yet in spite of this letter, O'Hara continued to pay out my money to meet the demands made by Messrs. L. G. Forget & Co., of Montreal. By letter dated 20th December, 1915, from his (my) solicitors I again repudiated O'Hara's dealing with Forget and other brokers in regard to several alleged sales of stock by O'Hara, but notwithstanding such repudiation, O'Hara continued to pay out my money.

On May 9th, 1916, I called on O'Hara and asked him to close out a sale in United States Steel open in my account. This O'Hara refused to do. I then wrote him protesting against this action, pointing out that it was plain plunder. Notwithstanding this letter, O'Hara continued to pay out my money.

In the autumn of 1918 O'Hara assigned to Messrs. Clarkson, with liabilities of approximately a hundred thousand dollars.

At the meeting of creditors Clarkson told me that forty thousand dollars had been lost by the bookkeeper and junior partner speculating and bucketting orders. Since then I learn on the best of authority that the bookkeeper by the use of dummy accounts, etc., was responsible for practically the whole of the insolvency of the firm. This man is by name _____.

It is a principle of law that:

1st. A client's money in a broker's hands is fiduciary.

2nd. A broker has no authority to deal with a client's money save by direction of that client.

I feel that in doing as _____ did should be theft. He was in complete charge of the office by my observation.

On the 16th of May, 1916, I went overseas in the Canadian Army, and a good deal of my losses through O'Hara occurred while I was away. I feel that if the payment of my money by O'Hara can be made theft that the Court may order restitution, therefore I ask that mine be made a separate case, and I feel that I am entitled to official sympathy. The man to see in Clarkson's is _____, an accountant. There is no doubt in my mind but that O'Hara or his man _____ is a criminal on other counts.

I have the honor to remain, sir,

Your very obedient servant,
(Sgd.) W. H. P. JARVIS.

In due course I received the following reply:

18 St. Joseph St.,
Toronto,
18th Feb., 1919.

Dear Sir:—

I have spoken to Mr. Corley and shown him your letter. He tells me he asked you for details of the transactions you complain of which your solicitor might supply. He also told you to see the Attorney-General.

As soon as the particulars required and you have seen the Attorney-General Mr. Corley will look into your case.

It seems to me that you would be wise to let your solicitors supply the Crown Attorney in a professional way with the full details required. If a summons is asked for it must be requested in writing with sufficient material to enable the Crown Attorney to come to a satisfactory conclusion.

DON QUIXOTE IN FINANCE.

One thing you will have to face is the way you continued to deal with the firm so long after you had reason to distrust them—also a criminal court cannot be used for purposes of compelling restitution of misappropriated funds.

I am,

Yours truly,

(Sgd.) R. E. KINGSFORD.

Mr. Corley was in error when he said that he had advised me to see the Attorney-General. I did try to see the Attorney-General, but he tried equally hard not to see me, and he prevailed. What is apparent is that both the Crown Prosecutor and a Police Magistrate were made acquainted with the charge that two men had been guilty of misappropriating a large amount of other people's money, and that neither of them acted.

TO THE PRIME MINISTER.

I also wrote a long article, containing much that has appeared in these pages, including the allegations made against the O'Haras and, through the Great War Veterans, sent a copy to Sir William Hearst, and another copy to the Attorney-General (Mr. Lucas). The receipt of these documents was acknowledged, but there it ended. I then brought the allegations against the O'Haras to the notice (by letter) of the editor of the Toronto Telegram.

Book III.

In the Crucible.

THE TRIAL

In early October, 1919, my case against Messrs. Jaffray came to trial. Naturally, as I was under the impression that, when I had consulted Mr. Norman Tilley, I had done so with such an action in prospect, I resented his appearance as counsel for the defence. During my cross-examination I gave him a dig on the point. "What did you do next?" was a question he asked. A. "I consulted a man called Norman Tilley, who told me that I had no case, but whether he believed what he said or not, I do not know." "My Lord," spoke up Mr. Tilley, "it is not true: it was not on this case that he consulted me, or I would not have undertaken it." His Lordship, Mr. Justice Lennox, said that he quite understood, and reproved me for questioning the honesty of counsel.

Of course, I felt myself thoroughly discredited and, as I believed that Mr. Tilley had consulted Mr. Starr and found that he had forgotten the circumstances of our joint interview with him, and that he was thus able to say what he pleased, I concluded that the further I would go the deeper the water in which I would find myself.

On the morning of the second day of the trial I was called from the stand and told that I must settle the case, that I was calling these people thieves—the stock exchange committee and the gang generally—and that they "had" something on me which they would "let drop." I accepted this as a threat of imprisonment on a trumped-up charge. Then I was told that a message had been sent by his Lordship in a round-about way that I had better settle.

The man with a knowledge of life will ask why anyone should be frightened by such a threat. My answer is: I am thoroughly of the opinion that the influence of what I call the "Hidden Hand," the money cult, is so strong and at the same time so unscrupulous, that it will stand at nothing to save its proteges from loss. This may be an obsession on my part, but it is, nevertheless, my mind—and, I fancy, there are those who will see me justified. It will suggest itself to the reader that, had I won my case, the stock exchange members would probably be inundated with suits and put to the cost of, possibly, millions. My own idea is that the stock exchange had guaranteed Jaffray against loss. I do not think that any member of the Jaffray firm would stoop to the low method of intimidation, and to sending me such a message as was brought me.

For the reason that I believed myself thoroughly discredited before his Lordship by Mr. Tilley giving me the lie, and his Lordship accepting his word, and because of the message that came to me, ostensibly from his Lordship, and for another reason which I regard as blackmail, I settled the suit for a paltry sum.

A few days after the trial I gained an interview with Mr. Justice Lennox, and was told by him that he had sent me no message.

I have among my papers the following:

DON QUIXOTE IN FINANCE.

Toronto, June 12th, 1916.

Messrs. Starr, Spence, Cooper & Fraser,
Canada Life Building,
Toronto.

In Account With

THOMPSON, TILLEY & JOHNSON.

re JARVIS.

To Mr. Tilley's fee advising.....\$50

MAN.

It is a mixed compliment to say that a man is as honest as he can afford to be; it is a trite saying that no one is any more honest than he can afford to be. Herein is the philosophy that lies in the support of the Farmer-Labour Government. The farmer and the workingman are the only two who can afford, in these days, to be honest. There are exceptions in the doctors and a few others; in the aggregate not a political influence. The workingman, in his union, has a champion against the vengeance of the capitalist. The farmer is independent; he fears no man. But the army of the clerical classes in the cities live by favour or suffrance. Boys are reared and enter life to the slogan: "Do not make enemies for yourself." And my experience has shown how far-reaching is the vengeance of the capitalist, the market-rigging broker and the banker.

OUR BANKERS.

The bank president who commands the patronage of five hundred millions of other people's money has greater power than the King of Great Britain: He can make or break more men. He seems to be above and beyond criminal processes by our courts. He is followed by the toady, the boot-licker and the parasite; to the vassal who renders faithful service he can make bounteous reward.

The love of power, which a Socialist has described as the greatest of all intoxicants, prompts men to excesses to hold such a place as bank president. The capacity required to hold the position is the ability to save the bank from loss. To save a bank from loss the easiest way is to have the government take over its lame ducks: the taking over of Canadian Northern Railway being a case in point. The bankers will argue that the bankruptcy of the Canadian Northern Railway would have ruined Canada's credit abroad: it might have ruined their capacity to sell bonds—not quite the same thing. As long as the foreign investor can be persuaded that the Canadian Government will take over the lame ducks—in the vernacular, "hold the baby"—of the promoter so long will he buy them: who wouldn't?

Had the slump that preceded the outbreak of war been permitted to run, besides allowing the holders of ready money, the farmers and the workingman, to obtain bargains in the market, it might have uncovered the market-jobbery of some of our bank directors. Possibly the enigma that lies in the high price of Montreal Power might have been uncovered!

Kings have done strange things to win or hold a throne.

The patronage of five hundred millions is a kingdom!

WHO ARE OUR FINANCIERS?

I have heard the story of how only one bank president made his money. This man made his money by adulterating his port wine. But of the others? They are largely "financiers." Financier is an ambiguous term; our literature holds nothing on how to be a financier. But much has been written on "stock-jobbery." We know how Charlie Chaplin, Sir Harry Lauder and Henry Ford made their money. We may behold the film-king do it, in a movie show; the

IN THE CRUCIBLE.

gramophone will tell us how Harry Lauder does it; and we may see Henry Ford do it on our roads and in our streets. But none of us know how any of our bank presidents have done it; they live in a world of camouflage. Why?

Sir Joseph Flavelle, Bart., made a fortune by the working of the law of supply and demand: many of our bankers saved their fortunes and their commercial necks by staying the process of supply and demand. Incidentally they prevented the proletariat from making money by buying in a cheap market. As director in a bank in which he is associated with some really high financiers, Sir Joseph Flavelle, Bart., may possibly, actively or passively, have had to do with the prevention of the decline in securities at the outbreak of war. If such should prove the case, he would seem to be a shining example of the inconsistency of human nature.

As a matter of fact, all Canada's wealth, several thousands of millions of dollars, is in the control of half a dozen men who, apparently, will stop at nothing to save themselves from downfall. Their own wealth is but a cipher of that which they control. They have placed manacles about the limbs of our people, fashioned from our own gold. Canada has a chance of an honest government when Canada has the savings of her people in her own hands: we should nationalize our banks. The privileges now enjoyed by our banks, and which should belong to the people, would make an important national asset.

THE RETURNED SOLDIER.

The men who placed their flesh and blood between civilization and the devastating Hun have a right to demand that the basis of civilization—justice—shall be maintained, that our institutions shall be held inviolate: the fact is that the organized money power of our country has perverted the institution of popular government until it has become a travesty. Loyalty to our King and country does not mean that we should be loyal to the system of government to which the name "Popular" is given—a name is but a name. It may be a principle of British life that the right of government lies in the will of the governed, but we know that the will of the people does not find expression in our Parliaments. Popular government is based on the theory that all men are honest and that truth has only to be voiced to be recognized. We know that the vast majority of men are susceptible to purchase, intimidation, blackmail, fear of ridicule, the desire for a "respectable" living, the hope of a fair name. Unless a man is impervious to these forces and is content to live by his hands, he is not a safe man to send to Parliament. And we know that it is the most difficult thing in the world to bring people to recognize the truth: the popular mind is to be blinded by prejudice, such as the call of "Democracy," and befogged by illusions. A tenet of democracy is that a man who is not susceptible to a money bribe must, of necessity, be honest. The most dangerous politician is he in whom the love of money is replaced by a consuming vanity; those who use him as a tool set him on a pedestal of commercial honesty before the people and while he, blinded by the adulation of the hierarchy, and seeing not the infamy about him, holds the public gaze, they carry on their rascalities.

The returned soldier has the right to demand that our money-lords keep their hands off Parliament.

The returned soldier has the right to demand that some sort of morals should obtain among our lawyers. "If you have a grievance, the courts are open to you," says the financier, glibly. The assumption is that our courts are infallible, and that our lawyers are above suspicion. But the lawyer is open to blackmail, purchase, intimidation, as other men; he is only human. And the capitalist has much to offer the lawyer! If he licks the right boots he may be made a director on this or that company, and draw a salary for

DON QUIXOTE IN FINANCE.

taking a responsibility without exercising it. Anyone who has much to do with lawyers knows that they tend towards shifty compromises, in which they resemble politicians. When they rise high in the regard of the money-lords they have special privileges: I have been told that there are only two counsel in Toronto who can misquote evidence in court and get away with it. The inference to be drawn from this is that two men have such privilege. And this becomes more interesting when it is said that the two counsel named to me are leading men in Toronto, and in the habit of receiving retainers from the money-lords.

Any lawyer who displays outstanding ability is immediately taken hold of by the money-lords; he becomes solicitor for a bank, or a trust company, or an insurance concern, or what not, and is so put in a position where to take a case against the financiers is to quarrel against his bread and butter—which no man is expected to do.

It is said that a man who takes his own case into court has a fool for a client; but what is to be done if one may not trust his lawyer?

Rufus Isaacs, Lord Reading, was a stock broker on the London Exchange. Through no fault of his own he was declared a bankrupt. The injustice put upon him made him determine to study law and go after the brokers. He did so and he won so many suits against them and established such a reputation, that he ended as Lord Chief Justice of England.

THE STOCK EXCHANGE.

The stock exchange occupies a far greater place in our economy than most people realize. It is largely the kindergarten of our real governors, our bankers. It is, in a way, the trustee for our bank depositors. A bank president may also be the president of any flotation. The danger that lies in this condition is illustrated by the following: Suppose a bank president floats a company for \$10,000,000 capital and, by manipulation, inflates the stock to 100% above par; then, by the use of dummies and guinea-pig directors, he may extract anything up to six or eight million dollars of the trust funds in his hands, and escape gaol; in fact, gaol seems to have gone out of fashion for Canada's high financiers. Our Attorneys General don't seem to function where they are concerned. Cases have been known where insiders have waived their dividends so that great returns may be made on outstanding capital to justify its price in the market.

It is preposterous that the member of a stock exchange firm should be a director, not to say president, of one of our chartered banks. He knows when money will be tight, or he can make it tight, and he sells stocks. He knows when money will be easy, or he can make it easy, and he buys stocks; what chance has the outside speculator got against him?

There is a sign of method in the great antagonism of Toronto brokers against the bear: if they were merely brokers they would cherish the short seller, because they make their chief (legitimate) income out of him. But the Canadian broker is also a promoter, and very often he is a banker or the associate of a banker. With the bear eliminated, he can carry on his market rigging and extract the bank's funds into his own pocket, and escape gaol—the real desideratum.

THE STOCK BROKER IN HISTORY.

Samuel Johnson defined a broker as, "a mean wretch." "In 1719 appeared a rabid work entitled: 'The Anatomy of Exchange Alley, or a System of Stock Jobbing. Proving that scandalous trade, as it is now carried on, to be knavish in its private practice and treason in its public.' The writer was described as a jobber, but it was Defoe." (Duguid's "Stock Exchange," page 19.) Lady Dorothy Neville, in her diary, describes the struggle stock brokers

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had to get into society, and when the modern English novelist desires a vulgar character, he almost invariably takes the stock broker. In "Milestones" Arnold Bennett puts into the mouth of one of his characters the words, "dirty stock broker."

It is hard to understand why the place and station occupied by the stock broker in Canada. He is looked upon as a wizard, one endowed by Providence with an acumen for making money. On the point I believe my opinion to be of value, and that is to the effect that brokers and financiers don't make their money by stock market speculation: their mode is stock market rigging—not the same thing—and promoting, watering stock and like tricks of the trade. The ignorant and confiding invest their money through a wealthy stock broker in the idea that he will show them the way to fortune: these people are victims of misplaced confidence. The wizard is, most often, a plain crook, playing with other people's money.

REFORM.

That there is a public demand for stock market reform in this country is evidenced by the incipient legislation advanced by Mr. Lucas, Attorney-General, at the last meeting of the Legislature. A potent lobby was effective in passing this over, futile as blue laws are known to be. What is needed is an investigation, and the more this idea is opposed the stronger should be the public demand: does the honest man care who searches his house?

In closing this narrative, I will express the wish that all honest men who desire that their sons may have a chance for comfortable existence in our land shall read "Other People's Money," a book written by Louis D. Brandeis. This is a very able dissertation on the power of money, and its conclusions have been drawn on the basis of information gleaned by the Pujo Commission. All the evils of interlocking directorates are there shown up. The ways of the financier of the United States are the ways of our financiers. If the people of the United States are less subservient than our people, and are able to learn the ways of the money-lords, so should we play the X-ray on our banks and stock brokering offices. If a returned soldier may not enter our courts and trust to justice, if one such may be cheated as I was cheated, then is our country open for anarchy; for, while it is the duty of the good citizen to protect the state, it is the duty of the state to protect the citizen.

The charge that religion and patriotism are being used by the capitalists as the basis of appeals to the maintainance of a form of government especially plastic under their influence, has much ground. And the plea that if our present form of government is replaced by some other, it would mean that ravishing hoards would carry rapine and murder through the country, is merely token of capitalistic dishonesty. Anyone who would suggest that the returned soldier would be less liable to uphold justice in his own land than abroad is a creature of ingratitude. But if our money-lord living in Montreal or Toronto shows that his heart is that of the erstwhile war-lord whose habitat was Berlin, then we might be excused if we sought the same methods of eradicating the other as we did the one. One may not believe in Socialism, which calls for the division of property and is in antagonism to the scheme of the Universe, and yet maintain that the game of life should be played within the laws of decency.